

AXESSPOINTE COMMUNITY HEALTH CENTERS, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2023 AND 2022



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**AXESSPOINTE COMMUNITY HEALTH CENTERS, INC.
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
BALANCE SHEETS	4
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS	5
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9
SUPPLEMENTARY INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	24
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	25
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	26
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	28
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	31



INDEPENDENT AUDITORS' REPORT

Board of Directors
AxessPointe Community Health Centers, Inc.
Akron, Ohio

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of AxessPointe Community Health Centers, Inc. (a nonprofit organization), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations 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 AxessPointe Community Health Centers, Inc., as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 AxessPointe Community Health Centers, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 AxessPointe Community Health Centers, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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 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 and *Government Auditing Standards*, 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 AxessPointe Community Health Centers, Inc.'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 AxessPointe Community Health Centers, Inc.'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.

Supplementary Information

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

Board of Directors
AxessPointe Community Health Centers, Inc.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2024, on our consideration of AxessPointe Community Health Centers, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of AxessPointe Community Health Centers, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AxessPointe Community Health Centers, Inc.'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Akron, Ohio
September 25, 2024

AXESSPOINTE COMMUNITY HEALTH CENTERS, INC.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 7,971,661	\$ 8,617,153
Investments	9,326,393	5,608,649
Patient Services Receivable	665,538	418,978
Other Receivables	3,234,156	1,036,608
Inventory	282,395	214,825
Prepaid Expenses and Other Current Assets	79,684	203,390
Total Current Assets	21,559,827	16,099,603
RIGHT-TO-USE ASSET - OPERATING, NET	3,776,152	3,786,940
PROPERTY AND EQUIPMENT, NET	4,076,534	3,006,948
Total Assets	\$ 29,412,513	\$ 22,893,491
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 923,699	\$ 517,859
Lease Liability - Operating, Current Portion	418,074	426,247
Accrued Payroll and Payroll Taxes	815,120	621,262
Contract Liability	344,802	498,536
Total Current Liabilities	2,501,695	2,063,904
LEASE LIABILITY - OPERATING, LONG-TERM PORTION	3,415,332	3,360,673
NET ASSETS		
Without Donor Restrictions	23,495,486	17,468,914
Total Liabilities and Net Assets	\$ 29,412,513	\$ 22,893,491

See accompanying Notes to Financial Statements.

AXESSPOINTE COMMUNITY HEALTH CENTERS, INC.
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING REVENUE		
Patient Service Revenue	\$ 7,410,190	\$ 6,370,251
Pharmacy Revenue	10,188,219	6,530,326
Government Grants	6,299,485	4,298,122
Other Revenue and Grants	4,818	61,172
Total Operating Revenue	23,902,712	17,259,871
OPERATING EXPENSES		
Program Services	16,544,846	12,606,496
Management and General	2,800,830	2,337,881
Total Operating Expenses	19,345,676	14,944,377
OPERATING INCOME	4,557,036	2,315,494
NONOPERATING REVENUE		
Realized and Unrealized Gain (Loss) on Investments	572,978	(1,070,064)
Investment Income	296,558	129,407
Other Nonoperating Revenue	-	1,455,000
Total Nonoperating Revenue	869,536	514,343
EXCESS OF REVENUES OVER EXPENSES	5,426,572	2,829,837
CAPITAL GRANT	600,000	-
CHANGE IN NET ASSETS	6,026,572	2,829,837
Net Assets - Beginning of Year	17,468,914	14,639,077
NET ASSETS - END OF YEAR	\$ 23,495,486	\$ 17,468,914

See accompanying Notes to Financial Statements.

AXESSPOINTE COMMUNITY HEALTH CENTERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services	Management and General	Total
Salaries and Wages	\$ 7,291,377	\$ 1,292,213	\$ 8,583,590
Payroll Taxes	579,651	117,782	697,433
Benefits	856,300	149,768	1,006,068
Contract Labor	278,919	207,927	486,846
IT Services	265,906	-	265,906
Professional Services	867,893	218,730	1,086,623
Supplies	3,859,905	142,811	4,002,716
Occupancy	1,099,861	74,428	1,174,289
Travel, Meetings, and CPE	45,303	61,486	106,789
Marketing and Development	165,491	72,166	237,657
Insurance	100,574	713	101,287
Telephones and Internet	33,808	150,903	184,711
Translation and Laboratory Fees	211,239	5,078	216,317
Equipment Rental and Maintenance	125,016	8,263	133,279
Licenses and Fees	31,846	39,039	70,885
Dues and Subscriptions	12,310	81,679	93,989
Recruitment	5,669	-	5,669
Miscellaneous	24,835	175,707	200,542
Total Expenses Before Depreciation and Amortization	15,855,903	2,798,693	18,654,596
Depreciation	688,943	2,137	691,080
Total Expenses	\$ 16,544,846	\$ 2,800,830	\$ 19,345,676

See accompanying Notes to Financial Statements.

AXESSPOINTE COMMUNITY HEALTH CENTERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services	Management and General	Total
Salaries and Wages	\$ 6,094,063	\$ 1,083,738	\$ 7,177,801
Payroll Taxes	454,301	102,531	556,832
Benefits	723,906	122,386	846,292
Contract Labor	318,785	211,144	529,929
IT Services	264,176	11,319	275,495
Professional Services	563,551	129,147	692,698
Supplies	2,205,172	128,635	2,333,807
Occupancy	863,195	63,667	926,862
Travel, Meetings, and CPE	31,647	59,603	91,250
Marketing and Development	42,702	33,797	76,499
Insurance	84,862	(151)	84,711
Telephones and Internet	33,635	115,049	148,684
Translation and Laboratory Fees	120,490	1,290	121,780
Equipment Rental and Maintenance	83,819	2,540	86,359
Licenses and Fees	120,814	75,540	196,354
Dues and Subscriptions	21,120	24,563	45,683
Recruitment	10,119	28,741	38,860
Miscellaneous	18,491	142,338	160,829
Total Expenses Before Depreciation and Amortization	12,054,848	2,335,877	14,390,725
Depreciation and Amortization	551,648	2,004	553,652
Total Expenses	\$ 12,606,496	\$ 2,337,881	\$ 14,944,377

See accompanying Notes to Financial Statements.

AXESSPOINTE COMMUNITY HEALTH CENTERS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 6,026,572	\$ 2,829,837
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	691,080	553,652
Investment Income, Net	(869,536)	(980,433)
Paycheck Protection Program Loan Forgiveness	-	(1,455,000)
Cash Received for Acquisition of Property and Equipment	(200,000)	-
(Increase) Decrease in Operating Assets:		
Patient Services Receivable	(246,560)	5,663
Accounts Receivable, Other	(2,197,548)	(821,226)
Inventory	(67,570)	(44,980)
Prepaid Expenses and Other Current Assets	123,706	(45,914)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	9,324	71,946
Accrued Payroll and Payroll Taxes	193,858	107,854
Contract Liability	(96,460)	419,970
Net Cash Provided by Operating Activities	3,366,866	641,369
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	1,326,645	3,066,080
Purchases of Investments	(4,174,853)	(1,214,063)
Purchases of Property and Equipment	(1,364,150)	(554,229)
Net Cash Provided (Used) by Investing Activities	(4,212,358)	1,297,788
 CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Received for Acquisition of Property and Equipment	200,000	-
Net Cash Provided by Investing Activities	200,000	-
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(645,492)	1,939,157
Cash and Cash Equivalents - Beginning of Year	8,617,153	6,677,996
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 7,971,661	\$ 8,617,153
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Accounts Payable Incurred for Property and Equipment	\$ 396,516	\$ -

See accompanying Notes to Financial Statements.

AXESSPOINTE COMMUNITY HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

AxessPointe Community Health Centers, Inc. (the Organization) is a community health center pursuant to Section 330 of the Public Health Service Act. The Organization primarily provides medical, dental, and behavioral health diagnosis treatment and preventative health services to those who are uninsured or underinsured. The Organization operates four health centers across northeast Ohio.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting; whereas, revenue is recognized when earned, and expenses are recognized when incurred, which is in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

Under the *Financial Statements of Not-For-Profit Organizations Accounting Standards Codification*, the Organization is required to report information regarding its financial position and activities according to two classes of net assets described as follows:

Net Assets Without Donor Restrictions – Net assets which are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for program purposes. The Organization does not have any net assets with donor-imposed restrictions as of December 31, 2023 and 2022.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Revenues that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the revenue is recognized. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Excess of Revenues Over Expenses

The statements of operations and changes in net assets include excess of revenue over expenses. Changes in net assets without donor restrictions which are excluded from operations, consistent with industry practice, include grants restricted for the acquisition of capital assets.

AXESSPOINTE COMMUNITY HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Uncompensated Care

The Organization provides uncompensated care to patients who meet certain criteria under its sliding fee schedule without charge or at amounts less than its established rates. The fee that patients are required to pay under the sliding fee scale schedule is based on federal poverty limits, income, and household size. Because the Organization does not pursue collection of amounts determined to qualify as uncompensated care, they are not reported as revenue.

Investments

The Organization's investments in debt and equity securities are recorded at fair market value based on published quotations. Realized and unrealized gains and losses are recognized as changes in net assets in the periods in which they occur and interest and dividends are recognized as revenue in the period earned.

Inventory

Inventory is stated at the lower of cost or net realizable value.

Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents.

Other Receivables

Other receivables primarily consist of pharmacy receivables and costs incurred prior to year-end under grant agreements and for which payment has not been received.

Revenue for performance obligations satisfied at a point in time, pharmacy services, is generally recognized when goods are provided to our patients and the Organization does not believe it is required to provide additional goods or services related to that sale. Pharmacy receivables are reported at the sales transaction price from patients, third-party payors, and others for prescriptions sold. Pharmacy receivables at December 31, 2023 and 2022 were \$546,653 and \$298,984, respectively.

Costs incurred recoverable under grants are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for uncollectible grants expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants, contracts, and others. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable. At December 31, 2023 and 2022, grants receivable was \$2,214,180 and \$708,509, respectively, and the allowance for uncollectible grants receivable was \$-0-. All amounts reflected are due in less than one year.

AXESSPOINTE COMMUNITY HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Receivables (Continued)

Grant revenue is received from various funding agencies in exchange for specific services provided by the Organization. This revenue is recognized at the time the Organization provides the services to which the grant is limited. Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred.

Remaining other receivables balance was collected in full subsequent to year-end.

Property and Equipment

Property and equipment are stated at cost, or if donated, at estimated fair market value at the date of donation. Major additions and betterments in excess of \$5,000 are capitalized, while additions not meeting this threshold, along with maintenance and repairs, are expensed as incurred. When property and equipment assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the books, and any resulting gain or loss is recognized in the changes in net assets. Depreciation of property and equipment is provided on the straight-line basis over the estimated useful lives of the assets, which range from 3 to 10 years. Leasehold improvements are depreciated on a straight-line basis over the estimated useful life of the improvement or the term of the lease, whichever is less.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. There were no impairment losses in long-lived assets in 2023 and 2022.

Functional Expenses

The costs of supporting the activities of the Organization have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program and supporting services benefited. Expenses that can be identified with a specific program or support service are allocated directly according to the benefits provided. Other expenses that are common to several functions are allocated by various statistical bases as determined by management.

Advertising

The Organization expenses all advertising and marketing costs as incurred. Advertising and marketing expenses totaled \$107,579 and \$76,499 in 2023 and 2022, respectively.

AXESSPOINTE COMMUNITY HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC. Accordingly, no provision for federal income tax has been made in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

Reclassifications

Certain amounts previously reported in the December 31, 2022 financial statements have been reclassified in order to conform with the presentation for the year ended December 31, 2023. These reclassifications have had no effect on the total net assets as of December 31, 2022 or the change in net assets for the year ended December 31, 2022.

Adoption of New Accounting Standards – ASU 2016-13

The Organization has adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the Organization's financial statements.

Leases

The Organization determines if an arrangement is a lease at inception. Right-to-use (ROU) assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the balance sheet.

AxessPointe has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

AXESSPOINTE COMMUNITY HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Service Revenue

Patient service revenue and patient accounts receivable are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. The Organization provides care to patients regardless of their ability to pay.

Patient accounts receivable are reported at their transaction price from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. The Organization grants credit without collateral to its patients, most of whom are residents in the communities that it serves and are either insured under third-party payor agreements or uninsured. Patient accounts receivable are reduced for explicit and implicit price concessions. Management regularly reviews data, including its past history and collection patterns of its major payor revenue sources, to determine implicit price concessions. These estimates are adjusted as appropriate for recoveries and any anticipated changes in trends, including volume, service mix, and rate changes.

For receivables associated with self-pay patients (which include patients without insurance who are not covered by the Organization's sliding fee discount program and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records an implicit discount in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted are considered a change in estimate of the implicit price concession.

Management believes the composition of patient services receivables at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly. Management believes no allowance for expected credit loss estimate is considered necessary based on historical credit losses and estimated future credit losses.

The mix of patient accounts receivable by major payor as of December 31 consists of the following:

	2023	2022
Medicaid	39 %	24 %
Medicare	16	19
Self-Pay	22	37
Other Third-Party Payors	23	20
Total	100 %	100 %

AXESSPOINTE COMMUNITY HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Service Revenue (Continued)

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

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time are recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization 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 patient service revenue from primary and preventative care, care coordination fees and capitation revenue. The Organization measures the performance obligation for primary and preventative care at 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 completion of the outpatient service.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions provided to third-party payors, discounts provided to uninsured and under-insured patients in accordance with the Organization's policy, and/or implicit price concessions provided to uninsured and under-insured patients. The Organization determines its estimates of explicit price concessions based on contractual agreements, its discount policy, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

The opening and closing contract balances with customers were as follows:

	Patient Accounts Receivable
Balance as of January 1, 2022	\$ 369,357
Balance as of December 31, 2022	418,978
Balance as of December 31, 2023	665,538

Agreements with third-party payors typically provide for payments at amounts less than established charges. Contractual adjustments under third-party reimbursement programs principally represent the differences between the Organization's billings at list price and the amounts reimbursed by Medicare, Medicaid, commercial insurance carriers, and certain other third-party payors; they also include any differences between estimated retroactive third-party reimbursement settlements for prior years and subsequent final settlements.

AXESSPOINTE COMMUNITY HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Service Revenue (Continued)

A summary of the payment arrangements with major third-party payors follows:

Medicare

Services rendered to Medicare program beneficiaries are paid a Prospective Payment System (PPS) rate for Federally Qualified Health Centers (FQHC) under Medicare Part B. Under the FQHC PPS, Medicare pays FQHCs based on the lesser of their actual charges or the PPS rate for FQHC services furnished to a beneficiary for a medically necessary, face-to-face FQHC visit. The Organization is paid 80% of the established FQHC rate, with the beneficiary being responsible for the remaining 20%, or alternatively, the remaining 20% is billed to Medicaid or other secondary insurance plan for qualifying patients (dual eligible). The FQHC PPS base rate is adjusted for each FQHC site by the FQHC geographic adjustment factor (GAF), based on the geographic cost indices (GPCIs) used to adjust payment under the Medicare Physician Fee Schedule (MPFS).

The Organization is reimbursed at the PPS rate with final settlement related to Medicare bad debts and vaccines provided during the Medicare year determined after submission of annual cost reports by the Organization and audits thereof by the Centers for Medicare and Medicaid (CMS) fiscal intermediary. Historically, these settlement amounts have not been material.

Medicaid

Covered FQHC services rendered to Ohio Medicaid program beneficiaries are paid under PPS using established per-visit payment amounts for cost-based clinical services.

Other

The Center is paid for services rendered to Medicaid program beneficiaries based on a rate established by the Illinois Department of Healthcare and Family Services. Rates are adjusted annually based on the Medicare Economic Index. The prospectively determined rates are not subject to retroactive adjustment.

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 organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations 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 the Organization'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 the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

AXESSPOINTE COMMUNITY HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Service Revenue (Continued)

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 the Organization'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. Adjustments arising from a change in the transaction price were not material in 2023 and 2022.

Generally, patients who are covered by third-party payors are responsible for related deductibles that vary in amount. The Organization also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. Specifically, the Organization has a policy of providing care to patients who meet certain criteria under its Sliding Fee Discount Program at amounts less than its established rates. However, all patients are requested to pay a nominal fee for each visit, and no patient is denied services because of inability to pay. Discounts under the Sliding Fee Discount Program are considered explicit price concessions. The Organization 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 Organization estimates the cost of providing charity care by applying a cost-to-gross charges ratio to the gross uncompensated charges associated with providing charity care to patients.

The Organization maintains records to identify and monitor the level of uncompensated care it provides to its patients under its sliding fee schedule and these discounts are considered explicit price concessions. The Organization 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. Cost of providing charity care is estimated by multiplying the ratio of cost to gross charges for the Organization times the gross uncompensated charges associated with providing services under the Organizations sliding fee schedule.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended December 31, 2023 and 2022. 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.

**AXESSPOINTE COMMUNITY HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Service Revenue (Continued)

Consistent with the Organization’s mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization 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 the Organization expects to collect based on its collection history with those patients.

The Organization 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/payment methodologies
- Length of patient’s service
- Method of reimbursement (fee for service or capitation)
- Organization’s line of business that provided the service such as medical, dental, and behavioral health visits

The Organization has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Organization’s expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Organization does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

For the years ended December 31, 2023 and 2022, the Organization recognized revenue of \$7,410,190 and \$6,370,597, respectively, from goods and services that transfer to the customer over time and approximately \$10,188,219 and \$6,530,326, respectively, from goods and services that transfer to the customer at a point in time.

The comparison of patient service revenue by primary payor for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Medicaid	48 %	33 %
Medicare	17	26
Self-Pay	14	10
Other Third-Party Payors	21	31
Total	100 %	100 %

Revenue from patient’s deductible and coinsurance are included in the preceding categories based on primary payor.

AXESSPOINTE COMMUNITY HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pharmacy Revenue

The Organization participates in the 340B Drug Pricing Program which requires drug manufacturers to provide outpatient drugs to eligible health care organizations at significantly reduced prices. The 340B drug pricing enables participating entities to stretch scarce federal resources, reaching more eligible patients and providing more comprehensive services. The Organization continues to expand its 340B opportunities and offers a discount to AxessPointe patients using the Organization's in-house pharmacy and through contracts with certain vendors at off-site locations. Pharmacy revenue is included on the statements of operations.

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Furniture and Fixtures	\$ 1,163,738	\$ 1,163,738
Equipment	1,644,354	1,435,982
Leasehold Improvements	4,771,941	4,771,941
Software	607,337	607,337
Construction in Progress	<u>1,861,568</u>	<u>309,274</u>
Subtotal	10,048,938	8,288,272
Less: Accumulated Depreciation	<u>5,972,404</u>	<u>5,281,324</u>
Total Property and Equipment	<u>\$ 4,076,534</u>	<u>\$ 3,006,948</u>

Depreciation expense was \$691,080 and \$553,652 in 2023 and 2022, respectively.

During the year ended December 31, 2023, the Organization began renovations on a building that will become a full-service health center for underserved patients in Summit County. The total anticipated cost of the project is approximately \$4,000,000 and is being funded in full by the Organization through various grants and cash on hand. Construction is anticipated to be completed in the second half of 2024.

NOTE 3 LEASES

The Organization leases building space under long-term, noncancelable lease agreements. The leases expire at various dates through 2042 and provide for renewal options ranging from one to 10-year periods. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Additionally, the agreements generally require the Organization to pay real estate taxes, insurance, and repairs.

AXESSPOINTE COMMUNITY HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 LEASES (CONTINUED)

The following tables provide quantitative information concerning the Organization's leases for the year ended December 31, 2023:

	2023
Lease Cost:	
Operating Lease Cost	\$ 594,171
Short-Term Lease Cost	162,079
Variable Lease Cost	159,156
Total Lease Cost	<u>\$ 915,406</u>
Other Information:	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:	
Operating Cash Flows from Operating Leases	\$ 563,438
Right-of-use Assets obtained in Exchange for New Operating Lease Liabilities	\$ 2,051,965
Weighted-Average Remaining Lease Term - Operating Leases	12.2 years
Weighted-Average Discount Rate - Operating Leases	4.08%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2023 is as follows:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>
2024	\$ 564,638
2025	565,850
2026	569,522
2027	456,924
2028	344,440
Thereafter	<u>2,476,977</u>
Undiscounted Cash Flows	4,978,351
(Less) Imputed interest	<u>(1,144,945)</u>
Total Present Value	<u>\$ 3,833,406</u>
Short-Term Lease Liabilities	<u>\$ 418,074</u>
Long-Term Lease Liabilities	<u>\$ 3,415,332</u>

AXESSPOINTE COMMUNITY HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4 PAYCHECK PROTECTION PROGRAM LOAN

In February 2021 the Organization received proceeds in the amount of \$1,455,000 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The Organization received full forgiveness in 2022, which is shown within other nonoperating income on the statement of operations and changes in net assets.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse effect on the Organization's financial position.

NOTE 5 FAIR VALUE MEASUREMENTS

The FASB's guidance on fair value measurement establishes a framework for measuring fair value and expands disclosure about fair value measurements. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Under this guidance, assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are measured and reported on a fair value basis.

AXESSPOINTE COMMUNITY HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy.

	December 31, 2023	
	Level 1	Total
U.S. Treasury Bills	\$ 2,989,875	\$ 2,989,875
Fixed Income and Fixed Income Funds	485,480	485,480
Mutual Funds	4,600,915	4,600,915
Exchange-Traded Funds	106,034	106,034
Equity Investments and Funds	525,794	525,794
Other Investments	213,188	213,188
Total Investments at Fair Value	8,921,286	8,921,286
Cash and cash equivalents - at cost		405,107
Total	\$ 8,921,286	\$ 9,326,393

	December 31, 2022	
	Level 1	Total
Mutual Funds	\$ 5,238,931	\$ 5,238,931
Exchange-Traded Funds	85,295	85,295
Total Investments at Fair Value	5,324,226	5,324,226
Cash and cash equivalents - at cost		284,423
	\$ 5,324,226	\$ 5,608,649

NOTE 6 CONCENTRATIONS

Cash Concentrations

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any significant losses in such accounts. Management believes it is not exposed to any significant credit risk on its cash.

Grant Concentrations

Government grant funding, predominately from the federal, state, and local government, represents approximately 37% and 23% of total operating revenue for the years ended December 31, 2023 and 2022, respectively. If this support were discontinued, it would have a material adverse effect on the Organization.

AXESSPOINTE COMMUNITY HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 COMMITMENTS AND CONTINGENCIES

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Organization is in compliance with fraud and abuse and other applicable government laws and regulations. While no regulatory inquiries that are expected to have a material adverse effect on the Organizations have been made, compliance with such laws and regulations can be subject to future review and interpretation, as well as regulatory actions unknown or unasserted at this time.

The U.S. Department of Health and Human Services has deemed the Organization and its practicing providers covered under the Federal Tort Claims Act (FTCA) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental, and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap. There have been no claims made against this policy and there are currently no claims pending. GAAP requires 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 the Organization's claim experience, no such accrual has been made. However, because of the risk of providing health care services, it is possible that an event has occurred which will be the basis of a future material claim.

NOTE 8 LIQUIDITY AND AVAILABILITY

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization's financial assets available within one year of the balance sheet date for general expenditures are as follows:

	2023	2022
Cash and Cash Equivalents	\$ 7,971,661	\$ 8,617,153
Investments	9,326,393	5,608,649
Receivables	3,899,694	1,455,586
Total Assets Available to Meet Liquidity Needs	<u>\$ 21,197,748</u>	<u>\$ 15,681,388</u>

AXESSPOINTE COMMUNITY HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 9 RETIREMENT EXPENSE

The Organization sponsors a contribution plan for all employees scheduled over 20 or more hours per week. The Organization matched 5% of the first 5% in 2022 and 2023. Contributions to the plan were \$227,778 and \$188,714 for the years ended December 31, 2023 and 2022, respectively.

NOTE 10 PROVIDER RELIEF FUNDS

Due to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the CARES Act Provider Relief Fund (PRF) during Period 5. Total grant funds received by the Organization in 2022 were \$269,523 of which \$247,063 was recognized as a refundable advance within contract liability on the balance sheet and \$22,460 as revenue within other revenue and grants on the statement of operations. During the year ended December 31, 2023, the Organization recognized the remaining \$247,063 out of deferred revenue and into revenue within other revenue and grants on the statement of operations. PRF is subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit. Management believes the amounts have been recognized appropriately as of December 31, 2023.

NOTE 11 SUBSEQUENT EVENTS

Management evaluated subsequent events through September 25, 2024, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2023, but prior to September 25, 2024, that provided additional evidence about conditions that existed at December 31, 2023, have been recognized in the financial statements for the year ended December 31, 2023. Events or transactions that provided evidence about conditions that did not exist at December 31, 2023, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended December 31, 2023.

On October 2, 2023, the Organization entered into an asset transfer agreement with Family & Community Services, Inc. (FCS). Under the terms of this agreement, which has an effective date of January 1, 2024, the Organization became the sole corporate member of FCS, and FCS transferred substantially all of its assets to the Organization.

AXESSPOINTE COMMUNITY HEALTH CENTERS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

Federal Grantor/Pass through Grantor; Program or Cluster Title	Federal Assistance Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services				
Health Center Program Cluster:				
Community Health Centers grant	93.224	N/A	\$ -	\$ 3,047,366
COVID-19: American Rescue Plan	93.224	N/A	-	<u>2,089,052</u>
Total for ALN 93.224			-	5,136,418
COVID-19: Expanding COVID-19 Vaccination	93.527	N/A	-	238,590
COVID-19: Bridge Access Program	93.527	N/A	-	<u>27,797</u>
Total for ALN 93.527			-	266,387
Health Center Program Cluster (ALN 93.224 and 93.527)			-	5,402,805 *
Provider Relief Fund	93.498	N/A	-	269,523
Passed through the Mental Health and Recovery Board of Portage County				
Opioid STR	93.788	2300666		423,964
Opioid STR	93.788	2400572		<u>85,250</u>
Total for ALN 93.788			-	509,214
Total U.S. Department of Health and Human Services			-	<u>6,181,542</u>
U.S. Department of the Treasury				
Passed through the City of Akron				
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	SC2023-000030	-	<u>600,000 *</u>
Total Federal Expenditures			<u>\$ -</u>	<u>\$ 6,781,542</u>

* Program was tested as a major program.

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**AXESSPOINTE COMMUNITY HEALTH CENTERS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2023**

NOTE 1 BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of AxessPointe Community Health Centers, Inc. (the Organization) under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to be and does not present the financial position, changes in net assets, functional expenses, or cash flows of the Organization.

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.

NOTE 2 INDIRECT COST RATE

The Organization has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 OTHER MATTERS

Amount of Noncash Assistance:	None
Amount of Insurance:	None
Amount of Loans:	None
Amount of Loan Guarantees:	None

NOTE 4 FINANCIAL STATEMENT REVENUE

The financial statements reflect revenue recognized from the Provider Relief Fund (PRF) of \$247,063 and \$22,460 for the years ended December 31, 2023 and 2022, respectively. PRF reported on the SEFA for the year ended December 31, 2023 is \$269,523 in accordance with the requirements of the compliance supplement for assistance listing number 93.498.



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

Board of Directors
AxessPointe Community Health Centers, Inc.
Akron, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of AxessPointe Community Health Centers, Inc. (the Organization), which comprise the balance sheet as of December 31, 2023, and the related statements of operations 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 September 25, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Board of Directors
AxessPointe Community Health Centers, Inc.

We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether AxessPointe Community Health Centers, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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



CliftonLarsonAllen LLP

Akron, Ohio
September 25, 2024



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

Board of Directors
AxessPointe Community Health Centers, Inc.
Akron, Ohio

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited AxessPointe Community Health Centers, Inc.'s (the Organization) 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 the Organization's major federal programs for the year ended December 31, 2023. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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 December 31, 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 (GAAS); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization'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 the Organization's federal programs.

Auditors' 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 the Organization'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 GAAS, *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 judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment 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 the Organization'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 the Organization'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 the Organization'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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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.



CliftonLarsonAllen LLP

Akron, Ohio
September 25, 2024

**AXESSPOINTE COMMUNITY HEALTH CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023**

Section I – Summary of Auditors’ Results

Financial Statements

- | | |
|---|---|
| 1. Type of auditors’ report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| • Material weakness(es) identified? | _____ yes <u> x </u> no |
| • Significant deficiency(ies) identified? | <u> x </u> yes _____ none reported |
| 3. Noncompliance material to consolidated financial statements noted? | _____ yes <u> x </u> no |

Federal Awards

- | | |
|---|--------------------------------------|
| 1. Internal control over major federal programs: | |
| • Material weakness(es) identified? | _____ yes <u> x </u> no |
| • Significant deficiency(ies) identified? | _____ yes <u> x </u> none reported |
| 2. Type of auditors’ report issued on compliance for major federal programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | _____ yes <u> x </u> no |

Identification of Major Federal Programs

Assistance Listing Number(s)

93.224 and 93.527
21.027

Name of Federal Program or Cluster

Health Centers Program Cluster
COVID-19: Coronavirus State and Local
Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 x yes _____ no

**AXESSPOINTE COMMUNITY HEALTH CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023**

Section II – Financial Statement Findings

2023-001

Significant Deficiency in Internal Control over Financial Reporting

Condition:

During the course of the financial statement audit, it was noted that 1) a non-recurring and unique capital grant for the organization was inaccurately accounted for and 2) there was insufficient evidence to support management's initial estimate related to net pharmacy receivables.

Criteria or specific requirement:

Management is responsible for adopting sound accounting policies and establishing and maintaining a system of internal control for the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America.

Effect:

Pharmacy receivables and grants that are incorrectly accounted for may result in may result in the financial statements being materially misstated and not properly presented in accordance with accounting principles generally accepted in the United States of America and/or an inaccurately prepared schedule of expenditures of federal awards.

Cause:

Turnover and vacancies within the finance department.

Repeat Finding:

No.

Recommendation:

We recommend that the Organization utilize external resources when encountering unique and/or unfamiliar accounting situations. Additionally, we recommend that the Organization review and revise its month and year-end financial reporting close policies and procedures to incorporate additional layers of review when possible and where practical.

Views of responsible officials and planned corrective actions:

There is no disagreement with this finding.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).



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**FAMILY AND COMMUNITY SERVICES, INC.
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2023 AND 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

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FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2023 AND 2022

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	4
CONSOLIDATED STATEMENTS OF ACTIVITIES	6
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES	8
CONSOLIDATED STATEMENTS OF CASH FLOWS	12
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	14
SUPPLEMENTARY INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	35
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	40
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	41
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	43
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	46
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	48



INDEPENDENT AUDITORS' REPORT

Board of Directors
Family and Community Services, Inc. and Subsidiaries
Ravenna, Ohio

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Family and Community Services, Inc. and Subsidiaries (an Ohio nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Family and Community Services, Inc. and Subsidiaries as of June 30, 2023 and 2022, and the changes in their net assets and their 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Family and Community Services, Inc. and Subsidiaries and to meet our ethical responsibilities in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, in 2023 Family and Community Services, Inc. and Subsidiaries adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Family and Community Services, Inc. and Subsidiaries' ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 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 aggregate, they would influence the judgement made by reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Family and Community Services, Inc. and Subsidiaries' 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 Family and Community Services, Inc. and Subsidiaries' 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 have identified during the audit.

Emphasis-of-Matter Regarding Restatement

As discussed in Note 1 to the consolidated financial statements, an error resulting in the recording and reporting of accrued compensated absences for the period ending June 30, 2022 and prior was discovered by management during the fiscal year ended June 30, 2023. Accordingly, accrued liabilities, expenses, and opening net assets without donor restriction as of June 30, 2022 have been restated to correct the error. These changes caused a decrease in net assets reported in the prior year. Our opinion is not modified with respect to this matter.

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

We have audited the consolidated financial statements of Family and Community Services, Inc. and Subsidiaries as of and for the year ended June 30, 2023, and have issued our report thereon dated March 25, 2024, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements of to the consolidated financial statements 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 consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2024, on our consideration of Family and Community Services, Inc. and Subsidiaries' 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 Family and Community Services, Inc. and Subsidiaries' 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 Family and Community Services, Inc. and Subsidiaries' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Akron, Ohio
March 25, 2024

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 14,554,513	\$ 15,203,377
Custodial Cash	135,972	123,545
Accounts Receivable, Net	4,257,557	3,823,076
Investments	1,219,327	1,073,877
Investment in NFH Manager, LLC	(831)	-
Prepaid Expenses and Other Assets	487,351	386,660
Total Current Assets	20,653,889	20,610,535
LONG-TERM ASSETS		
Replacement Reserve	274,298	267,384
Restricted Cash	16,342	15,691
Notes Receivable	775,000	275,000
Property and Equipment, Net of Accumulated Depreciation	24,198,395	22,242,974
Right-Of- Use Assets - Operating	135,238	-
Total Long-Term Assets	25,399,273	22,801,049
Total Assets	\$ 46,053,162	\$ 43,411,584

See accompanying Notes to Consolidated Financial Statements.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	Restated 2022
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Maturities of Long-Term Debt	\$ 1,495,914	\$ 596,997
Current Maturities of Operating Lease Liabilities	96,120	-
Accounts Payable and Employee Withholdings	651,145	569,613
Custodial Cash Obligation	135,972	123,545
Accrued Liabilities	2,251,727	1,988,510
Deferred Revenue	1,313,693	1,850,489
Total Current Liabilities	5,944,571	5,129,154
LONG-TERM LIABILITIES		
Long-Term Debt, Net of Current Maturities	4,664,042	4,725,306
Operating Lease Liabilities, Net of Current Maturities	39,118	-
Total Long-Term Liabilities	4,703,160	4,725,306
Total Liabilities	10,647,731	9,854,460
NET ASSETS		
Without Donor Restriction:		
Operating	33,619,578	31,988,187
Board Designated	1,170,939	1,029,566
Total Net Assets Without Donor Restriction	34,790,517	33,017,753
With Donor Restriction	614,914	539,371
Total Net Assets	35,405,431	33,557,124
Total Liabilities and Net Assets	\$ 46,053,162	\$ 43,411,584

See accompanying Notes to Consolidated Financial Statements.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	Without Donor Restriction	With Donor Restriction	Total
SUPPORT AND REVENUE			
United Way	\$ 392,149	\$ -	\$ 392,149
Government/State/Local Grants	20,777,332	-	20,777,332
Contributions	2,191,234	91,146	2,282,380
Program Service Fees	14,947,949	-	14,947,949
Emergency Grant Revenues	315,862	-	315,862
Interest Income	44,998	-	44,998
Contributions of Nonfinancial Assets	1,775,759	-	1,775,759
Miscellaneous	80,028	-	80,028
Total Support and Revenue	40,525,311	91,146	40,616,457
NET ASSETS RELEASED FROM RESTRICTION	15,603	(15,603)	-
Total	40,540,914	75,543	40,616,457
EXPENSES			
Program Expenses:			
Clothing Center	241,335	-	241,335
Community Centers	573,087	-	573,087
Consumer Credit Counseling Service	56,559	-	56,559
Counseling	7,777,681	-	7,777,681
Developmentally Disabled Services	4,258,883	-	4,258,883
Domestic Violence Shelters	1,499,102	-	1,499,102
Family Adoption Services	5,063,560	-	5,063,560
Food Services	3,502,973	-	3,502,973
Homeless Shelters	862,782	-	862,782
Housing and Emergency Services	603,449	-	603,449
Rental Units	1,548,149	-	1,548,149
Senior Services	2,563,084	-	2,563,084
Transportation	307	-	307
Veteran's Services	4,842,515	-	4,842,515
Visitation Services	293,682	-	293,682
Vista	80,707	-	80,707
Youth Services	843,646	-	843,646
Total Program Expenses	34,611,501	-	34,611,501
Management and General Expenses	2,925,525	-	2,925,525
Total Expenses Prior to Depreciation	37,537,026	-	37,537,026
EXCESS OF REVENUES OVER EXPENSES BEFORE DEPRECIATION AND INVESTMENT GAIN	3,003,888	75,543	3,079,431
INVESTMENT GAIN	93,155	-	93,155
LOSS FROM INVESTMENT IN NFH MANAGER, LLC	(831)	-	(831)
DEPRECIATION AND AMORTIZATION EXPENSE	(1,323,448)	-	(1,323,448)
Total	(1,231,124)	-	(1,231,124)
EXCESS OF REVENUES OVER EXPENSES	1,772,764	75,543	1,848,307
Net Assets - Beginning of Year	33,017,753	539,371	33,557,124
NET ASSETS - END OF YEAR	\$ 34,790,517	\$ 614,914	\$ 35,405,431

See accompanying Notes to Consolidated Financial Statements.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	Restated Without Donor Restriction	With Donor Restriction	Restated Total
SUPPORT AND REVENUE			
United Way	\$ 346,336	\$ -	\$ 346,336
Government/State/Local Grants	18,762,839	-	18,762,839
Contributions	1,675,984	152,193	1,828,177
Program Service Fees	14,730,015	-	14,730,015
Emergency Grant Revenues	680,666	-	680,666
Interest Income	24,689	-	24,689
Forgiveness of CARES Act Paycheck Protection Program Loan	3,732,160		3,732,160
Contributions of Nonfinancial Assets	1,242,058		1,242,058
Miscellaneous	599,264	-	599,264
Total Support and Revenue	41,794,011	152,193	41,946,204
NET ASSETS RELEASED FROM RESTRICTION	303,744	(303,744)	-
Total	42,097,755	(151,551)	41,946,204
EXPENSES			
Program Expenses:			
Clothing Center	204,140	-	204,140
Community Centers	567,763	-	567,763
Consumer Credit Counseling Service	53,222	-	53,222
Counseling	6,769,329	-	6,769,329
Developmentally Disabled Services	4,196,433	-	4,196,433
Domestic Violence Shelters	1,276,319	-	1,276,319
Family Adoption Services	4,583,357	-	4,583,357
Food Services	3,482,178	-	3,482,178
Homeless Shelters	822,189	-	822,189
Housing and Emergency Services	624,848	-	624,848
Rental Units	1,502,892	-	1,502,892
Senior Services	2,188,742	-	2,188,742
Transportation	1,166	-	1,166
Veteran's Services	3,878,230	-	3,878,230
Visitation Services	288,445	-	288,445
Vista	82,155	-	82,155
Youth Services	861,003	-	861,003
Total Program Expenses	31,382,411	-	31,382,411
Management and General Expenses	2,317,867	-	2,317,867
Total Expenses Prior to Depreciation	33,700,278	-	33,700,278
EXCESS OF REVENUES OVER EXPENSES BEFORE DEPRECIATION AND INVESTMENT GAIN	8,397,477	(151,551)	8,245,926
INVESTMENT GAIN	(268,606)	-	(268,606)
DEPRECIATION AND AMORTIZATION EXPENSE	(1,145,793)	-	(1,145,793)
Total	(1,414,399)	-	(1,414,399)
EXCESS OF REVENUES OVER EXPENSES	6,983,078	(151,551)	6,831,527
Net Assets - Beginning of Year	26,034,675	690,922	26,725,597
NET ASSETS - END OF YEAR	\$ 33,017,753	\$ 539,371	\$ 33,557,124

See accompanying Notes to Consolidated Financial Statements.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	Clothing Center	Community Centers	Consumer Credit Counseling Service	Counseling	Developmentally Disabled Services	Domestic Violence Shelters	Family Adoption Services	Food Services	Homeless Shelters	Housing & Emergency Services	Rental Units
Salaries	\$ 105,700	\$ 259,535	\$ 26,806	\$ 5,022,411	\$ 3,019,902	\$ 983,038	\$ 2,323,313	\$ 894,920	\$ 617,317	\$ 138,973	\$ 201,003
Payroll Taxes	8,856	22,497	2,175	407,099	256,588	79,607	205,979	82,268	53,378	8,399	17,513
Employee Benefits	10,110	14,639	5,128	369,203	165,405	65,716	217,827	48,023	19,824	13,034	13,932
Total Salaries and Related Expense	124,666	296,671	34,109	5,798,713	3,441,895	1,128,361	2,747,119	1,025,211	690,519	160,406	232,448
Professional Fees	1,093	6,033	1,125	926,379	77,987	10,858	1,762,261	17,254	5,609	1,533	27,919
Supplies	1,386	71,265	468	115,646	21,638	32,245	21,584	1,018,114	21,504	2,705	97,619
Telephone	3,091	15,065	5,446	136,612	3,568	24,908	72,429	74,706	12,850	3,092	26,676
Postage	-	1,489	510	2,092	1,487	593	6,557	1,386	82	79	788
Conferences and Conventions	-	99	-	12,229	2,816	1,958	937	300	835	1,107	500
Occupancy Costs	29,937	108,982	2,575	325,548	210,288	65,951	212,402	234,819	78,324	8,667	732,258
Equipment Maintenance	953	9,708	8,734	246,431	50,686	34,596	34,013	58,832	2,922	2,151	320,614
Journals and Publications	-	826	100	14,175	45,214	455	137	1,175	303	-	-
Promotions	-	149	48	10,444	14,612	974	3,288	1,155	398	596	298
Dues	-	2,245	394	9,961	15,143	588	792	4,876	1,725	350	6,338
Transportation and Travel	2,044	6,372	364	107,256	310,362	11,964	103,624	126,093	7,641	2,244	29,562
Bad Debt	-	-	-	-	-	31,138	2,614	4,140	-	-	-
Specific Assistance to Individuals	-	1,402	185	31,417	3,090	2,679	79,516	90	5,799	420,469	2,784
Interest	-	65	2,458	39,565	35,500	305	65	2,144	-	25	67,490
Volunteer	-	1,035	-	-	-	256	-	1,353	-	-	-
In-Kind Expenses	78,165	44,543	-	-	-	137,621	500	824,375	33,570	-	-
Miscellaneous	-	7,138	43	1,213	24,597	13,652	15,722	106,950	701	25	2,855
Total	241,335	573,087	56,559	7,777,681	4,258,883	1,499,102	5,063,560	3,502,973	862,782	603,449	1,548,149
Depreciation and Amortization	14,922	110,223	-	64,261	155,691	39,758	-	92,232	6,001	-	314,881
Total Functional Expenses	\$ 256,257	\$ 683,310	\$ 56,559	\$ 7,841,942	\$ 4,414,574	\$ 1,538,860	\$ 5,063,560	\$ 3,595,205	\$ 868,783	\$ 603,449	\$ 1,863,030

See accompanying Notes to Consolidated Financial Statements.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	Senior Services	Transportation	Veteran's Services	Visitation Services	Vista	Youth Services	Total Program Services	Management and General	2023 Total Program and Management Expenses	2022 Total Program and Management Expenses
Salaries	\$ 970,237	\$ -	\$ 2,446,122	\$ 202,432	\$ 47,615	\$ 576,005	\$ 17,835,329	\$ 1,600,402	\$ 19,435,731	\$ 17,592,376
Payroll Taxes	76,207	240	191,948	16,900	3,737	45,549	1,478,940	160,034	1,638,974	1,622,967
Employee Benefits	58,494	-	155,281	797	10,631	64,417	1,232,461	187,754	1,420,215	1,353,188
Total Salaries and Related Expense	1,104,938	240	2,793,351	220,129	61,983	685,971	20,546,730	1,948,190	22,494,920	20,568,531
Professional Fees	92,047	-	147,045	36,016	17,852	7,673	3,138,684	131,006	3,269,690	2,621,745
Supplies	50,260	-	457,260	9,374	-	20,112	1,941,180	106,121	2,047,301	1,820,101
Telephone	41,339	27	99,175	3,422	-	14,059	536,465	67,798	604,263	586,965
Postage	4,627	-	457	-	-	1,636	21,783	10,054	31,837	37,861
Conferences and Conventions	2,752	-	16,480	125	150	1,020	41,308	1,063	42,371	53,059
Occupancy Costs	168,180	-	402,755	21,082	12	36,694	2,638,474	190,306	2,828,780	2,743,147
Equipment Maintenance	19,055	-	213,838	1,217	180	8,951	1,012,881	130,409	1,143,290	1,090,857
Journals and Publications	6,700	-	4,166	(75)	161	6,882	80,219	14,344	94,563	85,927
Promotions	8,691	-	15,612	39	-	15,558	71,862	16,361	88,223	53,214
Dues	4,940	-	4,147	-	-	6,821	58,320	6,089	64,409	51,709
Transportation and Travel	53,749	-	189,266	1,834	369	6,503	959,247	95,430	1,054,677	1,006,582
Bad Debt	-	-	-	-	-	-	37,892	-	37,892	(77,198)
Specific Assistance to Individuals	367	-	358,111	424	-	-	906,333	15,285	921,618	771,376
Interest	38	40	654	-	-	189	148,538	129,158	277,696	270,500
Volunteer	450,501	-	143	-	-	260	453,548	215	453,763	560,556
In-Kind Expenses	536,459	-	120,466	-	-	60	1,775,759	-	1,775,759	1,242,058
Miscellaneous	18,441	-	19,589	95	-	31,257	242,278	63,696	305,974	213,288
Total	2,563,084	307	4,842,515	293,682	80,707	843,646	34,611,501	2,925,525	37,537,026	33,700,278
Depreciation and Amortization	5,653	48,735	196,467	-	-	-	1,048,824	274,624	1,323,448	1,145,793
Total Functional Expenses	\$ 2,568,737	\$ 49,042	\$ 5,038,982	\$ 293,682	\$ 80,707	\$ 843,646	\$ 35,660,325	\$ 3,200,149	\$ 38,860,474	\$ 34,846,071

See accompanying Notes to Consolidated Financial Statements.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Clothing Center	Community Centers	Consumer Credit Counseling Service	Counseling	Developmentally Disabled Services	Domestic Violence Shelters	Family Adoption Services	Food Services	Homeless Shelters	Housing & Emergency Services	Rental Units
Salaries	\$ 53,623	\$ 251,385	\$ 24,048	\$ 4,423,636	\$ 3,024,575	\$ 844,645	\$ 2,219,760	\$ 963,209	\$ 513,084	\$ 148,940	\$ 179,715
Payroll Taxes	4,501	24,913	2,196	381,813	267,817	76,666	209,295	99,172	52,987	13,863	17,314
Employee Benefits	10,509	16,909	4,883	370,647	187,582	55,689	177,983	56,358	14,874	13,776	19,252
Total Salaries and Related Expense	68,633	293,207	31,127	5,176,096	3,479,974	977,000	2,607,038	1,118,739	580,945	176,579	216,281
Professional Fees	1,407	10,275	1,326	553,176	27,234	9,532	1,505,724	16,790	7,044	1,160	40,411
Supplies	5,716	67,357	285	78,032	16,834	26,489	21,471	1,095,734	11,014	952	115,536
Telephone	2,214	14,349	1,493	146,480	3,286	25,113	73,002	70,243	12,459	3,016	26,234
Postage	-	2,380	629	8,873	824	1,840	5,669	1,549	466	138	360
Conferences and Conventions	-	2,160	-	12,808	549	3,249	964	663	137	-	162
Occupancy Costs	35,084	120,020	2,690	365,046	201,368	40,194	213,340	217,340	79,330	9,053	690,677
Equipment Maintenance	8,479	9,534	9,160	253,702	64,733	34,276	31,986	59,874	10,550	1,009	295,933
Journals and Publications	-	925	106	11,863	40,127	1,859	357	100	(156)	-	-
Promotions	-	650	53	5,911	691	644	2,731	651	149	-	-
Dues	75	1,708	3,920	8,633	12,094	990	429	2,583	550	100	660
Transportation and Travel	14,009	4,201	248	98,071	303,486	11,852	85,968	174,699	10,548	1,842	41,284
Bad Debt	-	-	-	-	402	-	(1,044)	(76,556)	-	-	-
Specific Assistance to Individuals	-	212	-	21,160	2,884	27,359	23,674	59	53,168	430,375	4,581
Interest	-	113	2,185	26,836	35,098	383	32	2,730	-	-	70,773
Volunteer	-	-	-	-	125	150	135	1,056	-	-	-
In-Kind Expenses	68,523	24,526	-	-	1,000	110,574	-	730,000	55,621	-	-
Miscellaneous	-	16,146	-	2,642	5,724	4,815	11,881	65,924	364	624	-
Total	204,140	567,763	53,222	6,769,329	4,196,433	1,276,319	4,583,357	3,482,178	822,189	624,848	1,502,892
Depreciation and Amortization	22,199	53,813	-	62,757	107,316	39,758	-	51,483	22,083	-	292,838
Total Functional Expenses	<u>\$ 226,339</u>	<u>\$ 621,576</u>	<u>\$ 53,222</u>	<u>\$ 6,832,086</u>	<u>\$ 4,303,749</u>	<u>\$ 1,316,077</u>	<u>\$ 4,583,357</u>	<u>\$ 3,533,661</u>	<u>\$ 844,272</u>	<u>\$ 624,848</u>	<u>\$ 1,795,730</u>

See accompanying Notes to Consolidated Financial Statements.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2022

	Senior Services	Transportation	Veteran's Services	Visitation Services	Vista	Youth Services	Total Program Services	Management and General	Total Program and Management Expenses
Salaries	\$ 910,997	\$ -	\$ 2,070,369	\$ 201,661	\$ 59,901	\$ 616,001	\$ 16,505,549	\$ 1,086,827	\$ 17,592,376
Payroll Taxes	78,586	-	176,107	19,007	3,898	53,970	1,482,105	140,862	1,622,967
Employee Benefits	58,941	-	156,205	958	9,716	54,333	1,208,615	144,573	1,353,188
Total Salaries and Related Expense	1,048,524	-	2,402,681	221,626	73,515	724,304	19,196,269	1,372,262	20,568,531
Professional Fees	66,187	-	159,754	33,827	8,494	43,190	2,485,531	136,214	2,621,745
Supplies	83,758	-	179,996	2,161	-	9,016	1,714,351	105,750	1,820,101
Telephone	41,752	-	81,603	3,112	-	13,795	518,151	68,814	586,965
Postage	4,651	-	627	-	-	928	28,934	8,927	37,861
Conferences and Conventions	1,556	-	19,413	698	-	1,200	43,559	9,500	53,059
Occupancy Costs	159,101	573	368,028	21,820	16	25,503	2,549,183	193,964	2,743,147
Equipment Maintenance	44,062	-	143,767	619	58	3,241	970,983	119,874	1,090,857
Journals and Publications	8,650	-	7,764	186	47	4,739	76,567	9,360	85,927
Promotions	18,279	-	3,931	149	-	7,470	41,309	11,905	53,214
Dues	4,497	-	2,069	295	-	7,747	46,350	5,359	51,709
Transportation and Travel	32,473	-	148,975	352	25	3,998	932,031	74,551	1,006,582
Bad Debt	-	-	-	-	-	-	(77,198)	-	(77,198)
Specific Assistance to Individuals	144	-	200,440	-	-	-	764,056	7,320	771,376
Interest	105	593	648	-	-	193	139,689	130,811	270,500
Volunteer	558,889	-	176	-	-	-	560,531	25	560,556
In-Kind Expenses	102,394	-	145,820	3,600	-	-	1,242,058	-	1,242,058
Miscellaneous	13,720	-	12,538	-	-	15,679	150,057	63,231	213,288
Total	2,188,742	1,166	3,878,230	288,445	82,155	861,003	31,382,411	2,317,867	33,700,278
Depreciation and Amortization	1,664	57,186	165,503	-	-	-	876,600	269,193	1,145,793
Total Functional Expenses	<u>\$ 2,190,406</u>	<u>\$ 58,352</u>	<u>\$ 4,043,733</u>	<u>\$ 288,445</u>	<u>\$ 82,155</u>	<u>\$ 861,003</u>	<u>\$ 32,259,011</u>	<u>\$ 2,587,060</u>	<u>\$ 34,846,071</u>

See accompanying Notes to Consolidated Financial Statements.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	Restated 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of Revenues Over Expenses	\$ 1,848,307	\$ 6,831,527
Adjustments to Reconcile Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities:		
Noncash Items Included in Excess of Revenues Over Expenses:		
Realized and Unrealized (Gains) Losses on Investments	(93,155)	268,606
Interest and Dividends Reinvested	(52,563)	(24,634)
Loss from Investment in NFH Manager, LLC	831	-
Depreciation	1,312,453	1,134,446
CARES Act Paycheck Protection Program Loan Forgiveness	-	(3,732,160)
Changes in Assets and Liabilities:		
Accounts Receivable	(434,481)	149,551
Prepaid Expenses and Other Assets	(100,691)	110,421
Increase in Replacement Reserve	(6,914)	(384)
Debt Issuance Costs	7,591	7,943
Discount on Bond	3,404	3,404
Accounts Payable and Employee Withholdings	81,532	(49,407)
Accrued Expenses	263,217	(336,435)
Deferred Revenue	(536,796)	425,415
Net Cash Provided by Operating Activities	2,292,735	4,788,293
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(3,239)	(125,949)
Proceeds from Sale of Investments	3,507	142,864
Purchase of Property and Equipment	(3,430,401)	(3,016,234)
Proceeds from Sale of Assets	162,527	13,818
Issuance of Note Receivable	(500,000)	-
Net Cash Used by Investing Activities	(3,767,606)	(2,985,501)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	1,152,515	118,059
Repayment of Long-Term Debt	(325,857)	(347,181)
Net Cash Provided (Used) by Financing Activities	826,658	(229,122)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(648,213)	1,573,670
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	15,219,068	13,645,398
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 14,570,855	\$ 15,219,068

See accompanying Notes to Consolidated Financial Statements.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Payments for Interest	<u>\$ 277,696</u>	<u>\$ 270,500</u>
Obtaining Right-of-Use Asset		
Right-of-Use Asset	\$ (223,148)	\$ -
Right-of-Use Liability	<u>223,148</u>	<u>-</u>
Net Cash Paid	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Consolidated Financial Statements.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Family and Community Services, Inc. and Subsidiaries is a nonprofit organization. The mission of Family and Community Services, Inc. and Subsidiaries (the Agency) is to marshal community resources to support, strengthen, and empower individuals and families through a broad continuum of community-based services that meet the needs and values of the community. This mission is to be achieved through service, advocacy, and broad community volunteerism.

Portage Industries, Inc. (Portage) is a nonprofit organization that provides employment, services, and support to persons who qualify under the state of Ohio guidelines and who are eligible to receive developmental disability services. Portage is a 100% owned subsidiary of Family and Community Services, Inc. Effective January 1, 2024, Portage was no longer a subsidiary of Family and Community Services, Inc.

Residential Resources for the Developmentally Challenged, Inc. (Residential) is a nonprofit organization that provides living expense financial assistance to developmentally challenged individuals. Residential is a 100% owned subsidiary of Family and Community Services, Inc.

P.O.M Group, Inc. dba: Emerald Transportation Services, Inc. (Emerald) is a for-profit organization which provides local passenger transportation to local and suburban locations. Emerald is a 100% owned subsidiary of Family and Community Services, Inc.

VTC Member Corp. was formed by the Agency. VTC Member Corp., an Ohio Corporation, is a controlled entity in that 100% of its stock is owned by Family and Community Services, Inc. VTC Member Corp. is a 0.025% managing member and project member of The Village of Town Center, LLC, an Ohio for-profit organization organized for the purpose of constructing, owning, and operating a 48-unit project dedicated to low-income households and senior housing.

In December 2021, NFH Member Corp., an Ohio Corporation was formed by the Agency. NFH Member Corp. is a controlled entity in that 100% of its stock is owned by Family and Community Services, Inc. NFH Member Corp. is a 51% member of NFH Manager, LLC. NFH Manager, LLC, is a .1% managing member of New Frontier Homes, LLC. Ohio Equity Fund for Housing Limited Partnership, an Ohio for-profit organization organized for the purpose of constructing, owning, and operating a 45-unit project dedicated to low-income households in the cities of Akron and Barberton in Summit County is a 99.9% investor member in New Frontier Homes, LLC.

The consolidated financial statements reflect the application of certain accounting policies described in this note.

Basis of Accounting

The consolidated financial statements of the Agency have been prepared on the accrual basis.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets and related revenues, expenses, gains and losses are classified based on the existence or absence of donor restrictions as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor stipulations and which are available for use in general operations, including any funds designated by the board of directors for specific purposes.

Net Assets With Donor Restrictions – Net assets subject to donor restrictions that will be satisfied either by the passage of time or by actions of the Agency. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Agency reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated asset.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Donor-imposed restrictions are released when a restriction expires; that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Principles of Consolidation

The consolidated financial statements include the accounts of Family and Community Services, Inc. and its wholly owned subsidiaries, Emerald, Residential, Portage, VTC Member Corp, and NFH Member Corp. All material intercompany accounts and transactions have been eliminated in consolidation.

Concentration of Credit Risk

The Agency maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Agency has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Agency considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Accounting for Custodial Cash

The Agency is a Representative Payee for resident client bank accounts. A separate checking account is maintained for this purpose. Since this account does not belong to the Agency, income and expense transactions that relate to this account are not included in the consolidated statement of activities. Additionally, an equal and offsetting liability is maintained to remove the value of this asset from the net assets of the Agency.

Receivables and Allowance for Doubtful Accounts

Receivables for counseling fees and grants are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying delinquent accounts and by using historical experience. These receivables are written off when deemed uncollectible. Recoveries of receivables for amounts previously written off are recorded when received.

Investments

The Agency's investments in debt and equity securities are recorded at fair market value based on published quotations, except estimates are used when such quotations are not available (Note 3). Realized and unrealized gains and losses on investments are reflected in the statement of activities and are calculated based on specific identification (Note 4).

Long-Term Assets Associated with Bond Issuance

The Agency entered into a bond agreement with the Development Finance Authority of Summit County to finance a renovation project at for one of the Agency's buildings. Funds received but not used for the project are recorded as restricted cash.

The Agency is also required to maintain a replacement reserve to pay debt service costs.

Property and Equipment

Property and equipment are stated at cost, or if donated, at estimated fair value at the date of donation, less accumulated depreciation. The Agency's threshold for capitalization is \$5,000. The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are generally capitalized. When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period.

Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the respective assets.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

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

A portion of the Agency's revenue is derived from reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue over time when the Agency has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. The Agency received cost reimbursable grants of \$7,419,030 that have not been recognized at June 30, 2023 because qualifying expenditures have not yet been incurred.

Program service fee revenues are reported at the amount that reflects the consideration to which the Agency expects to be entitled in exchange for providing client care. These amounts are due from clients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Agency bills the clients and third-party payors several days after the services are performed and/or the client is discharged from the program. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Agency. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Agency 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 clients in our programs receiving chemical dependency treatment. The Agency measures the performance obligation from admission into the program to the point when it is no longer required to provide services to that client.

Because all of its performance obligations relate to contracts and fee for services with a duration of less than one year, the Agency has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) 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 performance obligations for these contracts are generally completed when the clients are discharged from a program, which generally occurs within days or weeks of the end of the reporting period.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Agency 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 clients in accordance with the Agency's policy, and/or implicit price concessions provided to uninsured clients. The Agency determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy(ies), and historical experience. The Agency determines its estimate of implicit price concessions based on its historical collection experience with this class of clients.

Clients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Agency also provides services to uninsured clients, and offers those uninsured clients a discount, either by policy or law, from standard charges. The Agency estimates the transaction price for clients 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. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to fee for services revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended June 30, 2023 and 2022. Subsequent changes that are determined to be the result of an adverse change in the client's ability to pay are recorded as bad debt expense.

Consistent with the Agency's mission, care is provided to clients regardless of their ability to pay. Therefore, the Agency has determined it has provided implicit price concessions to uninsured clients and clients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to clients and the amounts the Agency expects to collect based on its collection history with those clients.

The Agency 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, client) have different reimbursement/payment methodologies
- Length of the client's service/episode of care
- Geography of the service location
- Method of reimbursement
- Program that the service relates to

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions of Nonfinancial Assets

Contributions of services are recognized as in-kind contributions in the financial statements if the services received (a) create or enhance nonfinancial assets (primarily property or other tangible or intangible assets) or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. See Note 17 for further disclosures.

In addition, individuals volunteer their time and perform certain services in various programs throughout the Agency. The Agency received approximately 266,800 and 164,800 volunteer hours during the years ended June 30, 2023 and 2022, respectively. These amounts are not included as in-kind contributions in the financial statements as the above revenue recognition criteria have not been met.

Advertising

Advertising costs are generally charged to operations in the year incurred and totaled \$88,223 and \$53,214 in 2023 and 2022, respectively.

Income Taxes

The Agency is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes pursuant to Section 501(a) of the IRC.

Emerald is a corporation and is subject to U.S. federal income tax under the IRC.

The Agency has determined that it is not required to record a liability related to uncertain tax positions.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on the consolidated schedule of functional expenses. Expenses are charged directly to programs, and management and general categories based on specific identification. Indirect expenses are allocated among the programs and activities benefited based on estimates of time and effort as well as management judgement.

Emergency Grant Revenues

Due to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the CARES Act Provider Relief Fund (PRF). The PRF's are subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit. At June 30, 2023 and 2022, there were no PRF included as a contract liability (deferred revenue) in the consolidated statements of financial position. At June 30, 2023, the Agency recorded \$97,383 of PRF as emergency grant revenue in the consolidated statements of activities. The Agency recognized \$218,479 and \$680,666 of other emergency grant revenue in the consolidated statements of activities as of June 30, 2023 and 2022, respectively. Management believes the amounts have been recognized appropriately as of June 30, 2023 and 2022.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principles

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Agency has adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption.

The Agency has elected to adopt the package of practical expedients available in the years of adoption and has also elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Agency's ROU assets.

Leases

The Agency determines if an arrangement is a lease at inception. Operating leases are included in ROU assets – operating and lease liability – operating in the statements of financial position.

ROU assets represent the Agency's right to use an underlying asset for the lease term and lease liabilities represent the Agency's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Agency will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Agency has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

When the individual lease contracts did not provide information about the discount rate implicit in the lease, the Agency elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

Restatement and Reclassification

The Agency determined previously stated accrued liabilities, related expense and opening net asset balances did not include an amount for compensated absences. To be in accordance with accounting principles generally accepted in the United States of America, the Agency elected to restate the prior period financial statements to accurately reflect these line item amounts for the year ended June 30, 2022. Accordingly, previously reported 2022 accrued liabilities, expenses and opening net assets without donor restriction balances have been restated. These changes caused a decrease in prior year net assets without donor restriction.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restatement and Reclassification (Continued)

Amounts reported in accrued liabilities and deferred revenue in the prior year financial statements have been reclassified to conform with current year presentation. Such reclassifications had no impact on previously reported net assets.

The overall changes to the statement of financial position and statement of activities for the year ended June 30, 2022 are as follows:

	As Previously Reported 2022	Restatement	Reclassification	As Restated 2022
LIABILITIES				
Accrued Liabilities	\$ 1,548,973	\$ 777,631	\$ (338,094)	\$ 1,988,510
Deferred Revenue	1,512,395	-	338,094	1,850,489
NET ASSETS				
Without Donor Restriction:				
Operating	32,765,818	(777,631)	-	31,988,187
EXPENSES				
Without Donor Restriction:				
Management and General Expenses	2,326,582	(8,715)	-	2,317,867
Without Donor Restriction:				
Net Assets - Beginning of Year	26,821,021	(786,346)	-	26,034,675

NOTE 2 RECEIVABLES

Accounts Receivable

Receivables as of June 30 are as follows:

	<u>2023</u>	<u>2022</u>
Grants Receivable, Net of Allowance for Doubtful Accounts of \$4,595 and \$1,850 in 2023 and 2022, Respectively	\$ 643,757	\$ 470,996
Fees for Service, Net of Allowance for Doubtful Accounts of \$782,565 and \$300,212 in 2023 and 2022, Respectively	3,613,800	3,352,080
Total	<u>\$ 4,257,557</u>	<u>\$ 3,823,076</u>

Notes Receivable

The note receivable in the amount of \$275,000 represents noninterest bearing funds advanced to The Village at Town Center, LLC, for the development of low income housing in Summit County. There are no monthly payments as the entire balance is due on or before December 31, 2037. In connection with the note receivable, the Agency had also recorded a liability in the amount of \$275,000 (See Note 7).

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 RECEIVABLES (CONTINUED)

Notes Receivable (Continued)

The note receivable in the amount of \$500,000 represents a 0.25% interest bearing note, compounded annually, advanced to New Frontier Homes, LLC, for the development of low income housing in Summit County. There are no monthly payments as the entire balance is due on or before December 31, 2042. In connection with the note receivable, the Agency has also recorded a liability in the amount of \$500,000 (See Note 7).

NOTE 3 FAIR VALUE MEASUREMENTS

The FASB's guidance on fair value measurements establishes a framework for measuring fair value and expands disclosure about fair value measurements. This guidance enables the reader of the consolidated financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Under this guidance, assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Agency performs a detailed analysis of the assets and liabilities that are measured and reported on a fair value basis.

The Agency holds investments in debt and equity securities which are classified as investments. These securities are publicly traded on the National Stock Exchange and are considered a Level 1 item. For the years ended June 30, 2023 and 2022, the application of valuation techniques applied to similar assets and liabilities have been consistent.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy.

	June 30, 2023			
	Total	Level 1	Level 2	Level 3
Equity Securities:				
Common Stocks	\$ 90,431	\$ 90,431	\$ -	\$ -
Mutual Funds	1,073,916	1,073,916	-	-
Fixed Income	54,980	54,980	-	-
Total	<u>\$ 1,219,327</u>	<u>\$ 1,219,327</u>	<u>\$ -</u>	<u>\$ -</u>

	June 30, 2022			
	Total	Level 1	Level 2	Level 3
Equity Securities:				
Common Stocks	\$ 82,961	\$ 82,961	\$ -	\$ -
Mutual Funds	957,090	957,090	-	-
Fixed Income	33,826	33,826	-	-
Total	<u>\$ 1,073,877</u>	<u>\$ 1,073,877</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 4 INVESTMENTS

The composition of the Agency's investments at June 30 is set forth in the following table. Investments are stated a fair value.

	June 30, 2023		June 30, 2022	
	Fair Value	Cost	Fair Value	Cost
Equity Securities:				
Common Stocks	\$ 90,431	\$ 56,891	\$ 82,961	\$ 52,577
Mutual Funds	1,073,916	889,606	957,090	912,823
Fixed Income	54,980	54,994	33,826	33,951
Total	<u>\$ 1,219,327</u>	<u>\$ 1,001,491</u>	<u>\$ 1,073,877</u>	<u>\$ 999,351</u>

Investment income and net realized and unrealized gains relating to unrestricted investments is summarized at June 30 as follows:

	2023	2022
Interest Income	\$ 44,998	\$ 24,689
Net Realized and Unrealized Gains	93,155	(268,606)
Total	<u>\$ 138,153</u>	<u>\$ (243,917)</u>

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment as of June 30 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Land and Land Improvements	\$ 2,173,246	\$ 2,112,661
Building	23,025,301	23,025,301
Equipment	240,014	230,014
Furniture and Fixtures	1,219,835	725,709
Leasehold Improvements	7,705,528	6,014,346
Vehicles	1,804,637	1,569,376
Construction in Progress	1,886,625	1,152,205
Total	<u>38,055,186</u>	<u>34,829,612</u>
Less: Accumulated Depreciation	13,856,791	12,586,638
Total Property and Equipment	<u>\$ 24,198,395</u>	<u>\$ 22,242,974</u>

Depreciation expense amounted to \$1,312,453 and \$1,134,446 for the years ended June 30, 2023 and 2022, respectively.

NOTE 6 SHORT-TERM BORROWINGS

The Agency has a \$1,200,000 line of credit agreement with a financial institution. Interest is payable monthly at the bank's prime lending rate plus 0.15% (8.40% at June 30, 2023) and is collateralized by certain investments of the Agency. There were no borrowings on the line of credit as of June 30, 2023 and 2022.

Effective January 10, 2022, Portage Industries, Inc. entered into a credit facility with a bank. This credit facility is comprised of a \$610,000 draw note bearing interest at 2.95%. There were no amounts outstanding on the draw note as of June 30, 2023 and 2022.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 LONG-TERM DEBT

The Agency was obligated on the following notes as of June 30:

<u>Description</u>	<u>2023</u>	<u>2022</u>
<u>Forgivable Debt</u>		
Interest-free note due March 2026; debt forgiven \$877 per month as long as property used for mental health activities; collateralized by land, building, and equipment; included in the contributions line in the consolidated statements of activities.	\$ 28,945	\$ 39,470
Interest-free note due June 2045; debt forgiven \$764 per month as long as the organization performs the acts required under the contract entered into on June 1, 2015; collateralized by land and building; included in the contributions line in the consolidated statements of activities.	200,902	210,069
Interest free note due December 2037; debt forgiven at due date as long as property used for low income housing project; collateralized by land, building, and equipment.	275,000	275,000
Interest-free note due December 2042; debt forgiven at due date as long as property used for low income housing project; collateralized by certain real property	500,000	-
<u>Bank</u>		
Note dated January 2006; due December 2025; payable in monthly installments of \$2,349 including interest at 7.00%; collateralized by certain real estate.	59,907	82,981
Note dated February 2007; renegotiated in 2017 and now due February 2027; payable in monthly installments of \$1,192 including variable interest of 4.56% at June 30, 2021; collateralized by certain real estate.	52,457	66,763
Note dated July 2021; due April 2031; payable in monthly installments of \$3,830 including interest of 3.99%; collateralized by certain real estate.	307,942	340,716

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2023</u>	<u>2022</u>
<u>Bank (Continued)</u>		
Note dated April 2015; due April 2025 ; payable in monthly payments of \$1,006 including interest of 5.75%; collateralized by certain real estate.	\$ 21,578	\$ 32,057
Note dated January 2017; due January 2027; beginning interest-only payments of 5.75% starting February 2017, followed by monthly payments of \$1,145 including interest of 5.75%; collateralized by certain real estate.	44,327	55,143
Note dated January 2022; due August 2031; payable in variable monthly installments including interest of 2.95%; collateralized by a certain vehicle.	588,950	-
Note dated March 1, 2016; refinanced in July 2021; due April 2031; payable in monthly installments of \$2,994 and a final payment of \$285,003 including interest of 3.98%; collateralized by certain real estate.	232,761	257,506
Note dated November 2017; due October 2022; payable in monthly installments of \$760 including interest of 6%; collateralized by certain equipment.	-	3,009
Note dated January 2018; due December 2022; payable in monthly installments of \$389 including interest of 6.25%; collateralized by a certain vehicle.	-	2,291
Note dated September 2020; due December 2040; payable in monthly installments of \$4,703 including interest of 4%; collateralized by a certain real estate.	713,496	740,378
Note dated January 2019; due February 2024; payable in monthly installments of \$6,310 including interest of 5%; collateralized by certain real estate.	816,834	850,182
Note dated April 2021; due April 2027; payable in monthly installments of \$904 including interest of 2.90%; collateralized by a certain vehicle.	39,122	48,658

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2023</u>	<u>2022</u>
<u>Portage County Commissioners c/o Neighborhood Development Services</u>		
Note dated May 2016; interest free; payable on sale or transfer of collateral located at 2338 and 2340 Ravenna Road Ravenna, Ohio 44266.	\$ 150,000	\$ 150,000
Note dated August 2022; due November 2042; payable in monthly installments of \$337 including interest of 3.00%, collateralized by certain real estate.	59,494	-
<u>Development Finance Authority of Summit County Development Revenue Bonds, Series 2016E dated November 2016; due November 2036; payable in increasing monthly installments including interest of 3.57%; collateralized by certain real estate.</u>	2,070,000	2,180,833
<u>Akron Community Foundation</u>		
Note payable on demand, including interest of 5%; collateralized by certain equipment.	100,000	100,000
Total	6,261,715	5,435,056
Less: Unamortized Debt Issuance Costs and Bond Discount	101,759	112,753
Total Long-Term Debt, Net Unamortized Debt Issuance Costs and Bond Discount	6,159,956	5,322,303
Less: Current Maturities	1,495,914	596,997
Total Long-Term Liabilities	<u>\$ 4,664,042</u>	<u>\$ 4,725,306</u>

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 LONG-TERM DEBT (CONTINUED)

Maturities of the notes payable for the five years subsequent to 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 1,495,914
2025	314,768
2026	290,119
2027	265,753
2028	308,019
Thereafter	<u>3,587,142</u>
Total Long-Term Debt	6,261,715
Unamortized Debt Issuance Costs and Bond Discount	101,759
Total	<u><u>\$ 6,159,956</u></u>

NOTE 8 CARES ACT PAYCHECK PROTECTION PROGRAM

On April 21, 2020, Family received a loan from Huntington National Bank in the amount of \$2,914,160 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program Flexibility Act of 2020 (the PPP Loan). Additionally, on April 13, 2020 and February 12, 2021, Portage Industries received loans from Hometown Bank in the amount of \$392,100 and \$425,900, respectively, to fund payroll, rent, utilities, and interest on mortgages and existing debt through the PPP loan. The original loan agreements written prior to the PPP Flexibility Act of 2020 (June 5) were due over 24 months with the initial payments deferred six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreements. The PPP Loans bears interest at a fixed rate of 1.0% per annum, have a term of two years, and are unsecured and guaranteed by the U.S. Small Business Administration.

Payment of principal and interest is deferred until the date on which the amount of forgiveness is determined by the lender or, if the Agency fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The Agency believed that the loans would be forgiven and therefor accounted for these as conditional contributions. The refundable advance was recognized as revenue once the relating conditions were substantially met or explicitly waived. On October 8, 2021, the SBA formally approved forgiveness in the full amount of Family's PPP loan. Additionally, on August 6, 2021, Portage Industries' first PPP loan was formally approved for forgiveness in the full amount by the SBA and on October 29, 2021, the SBA formally approved forgiveness in the full amount of Portage Industries' second PPP loan. These forgiven loans, in the amount \$3,732,160, are recorded in the Consolidated Statement of Activities as 'Forgiveness of CARES Act Paycheck Protection Program Loan'. The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors for a period of 6 years. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact in the Agency's financial position.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 NET ASSETS

Net assets consist of the following as of June 30 and are available for the following purposes:

	2023	2022
Net Assets Without Donor Restriction:		
General Operating	\$ 33,619,578	\$ 31,988,187
Designated by the Governing Board:		
Capital Property Improvements	1,170,939	1,029,566
Total Designated by the Governing Board	1,170,939	1,029,566
Total Net Assets Without Donor Restriction	34,790,517	33,017,753
Net Assets With Donor Restriction:		
Purpose Restrictions:		
Fankhauser Scholarships	50,082	43,038
Lorain Valor II and III Capital Project	530,729	492,687
KSS Capital Project	34,103	3,646
Total Net Assets With Donor Restriction	614,914	539,371
Total Net Assets	\$ 35,405,431	\$ 33,557,124

Board restrictions were adopted during fiscal year 2018 by the Board of Trustees which began the practice of designating a portion of the Agency's net assets without donor restriction to accumulate funds for future capital property improvements, major repairs and replacements of Agency owned property and equipment. Agency management prepared a study to estimate the capital property improvements anticipated over the next 30 years, and the study is updated annually. The Board of Trustees designates the estimated capital property improvement costs over the 30 year period of the analysis as additions to the designated balance. Actual expenditures for capital property improvements reduce the designated balance in the year of expenditure. Capital property improvements designated by the Governing Board amounted to \$1,170,939 and \$1,029,566 at June 30, 2023 and 2022, respectively. An equal amount is included in Cash and Cash Equivalents at June 30, 2023 and 2022.

Net Assets Without Donor Restriction –The Net Assets Designated by the Governing Board are for future major repairs and replacements of Agency owned property and equipment and are being accumulated over the lives of those assets.

Net Assets With Donor Restriction – Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets released from restriction totaled \$15,603 in 2023 and \$303,744 in 2022.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 10 OPERATING LEASES - ASC 842

The Agency leases various vehicles, copiers, and office and storage space under noncancelable leases expiring in various years through 2028.

The following table provides quantitative information concerning the Agency's leases as of June 30, 2023.

	<u>2023</u>
Lease Cost:	
Operating Lease Cost	\$ 223,148
Total Lease Cost	<u>223,148</u>
Other Information	
Operating Cash Flows from Operating Leases	223,148
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	333,141
Weighted-Average Remaining Lease Term - Operating Lease	2.4 Years
Weighted-Average Discount Rate - Operating Lease	6.22%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023, is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 281,647
2025	212,281
2026	81,703
2027	16,882
2028	<u>11,254</u>
Undiscounted Cash Flows	603,767
Less: Imputed Interest	<u>(44,281)</u>
Total Present Value	<u>\$ 559,486</u>

Rent expense for the year ended June 30, 2023 amounted to \$605,230.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 11 OPERATING LEASES - ASC 840

The Agency leased certain vehicles, copiers, and office and storage space under noncancelable lease agreements with expiration dates in excess of one year. Rental expense amounted to \$571,280 for the year ended June 30, 2022. Future minimum rental commitment at June 30, 2022 was as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 96,223
2024	16,674
2025	15,311
2026	993
Total	<u>\$ 129,201</u>

NOTE 12 LEASE AGREEMENTS

The Agency leases real property to tenants through operating leases. The future minimum rental income receivable under noncancelable operating leases at June 30, 2023 is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 160,312
2025	160,312
2026	160,312
2027	160,312
2028	160,312
Thereafter	1,696,636
Total	<u>\$ 2,498,196</u>

NOTE 13 PENSION PLAN

The Agency maintains a Section 403(b) flexible annuity program that covers employees who meet certain age and length-of-service requirements. The Agency's contribution level for the years ended June 30, 2023 and 2022 is up to 3.5% of participating employees' salaries. Pension expense for the years ended June 30, 2023 and 2022 amounted to \$195,096 and \$177,536, respectively.

NOTE 14 GOVERNMENT FUNDING

The Agency received approximately 52% and 53% of its funding for 2023 and 2022, respectively, through government grants and purchase of service agreements. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Agency's activities.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 15 FUNDS HELD FOR OTHERS

The Agency is custodian for funds used for various expenditures of certain individuals in its payee and debt service management programs. Because these funds do not belong to the Agency, they are included as an asset and a liability in the accompanying consolidated financial statements. At June 30, 2023 and 2022, the payee and debt service management programs maintained funds totaling \$135,972 and \$123,545, respectively.

NOTE 16 DEFERRED REVENUE

The Agency entered into a 30-year lease agreement with the Ravenna School District Board of Education (the School District) during 2008. Under this agreement, the Agency received payment of \$135,000 for the full term of the lease in advance. This amount will be amortized over the life of the lease. Amortization for 2023 and 2022 was \$4,500. As of June 30, 2023 and 2022, \$67,125 and \$71,625, respectively, is included in deferred revenue relating to this agreement. If the School District remains in the building for the full term of the lease, the Agency will refund \$75,000 to the School District.

The Agency received \$750,000 in 2017 from a lessee, AxessPointe, Inc., to help fund specific renovations to the Goulger Building. This contribution will be allocated over the life of the lease. The term of the lease began the month following completion of the construction project and continues for 20 years. As of June 30, 2023 and 2022, \$37,500 of revenue was recorded during each fiscal year.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 17 CONTRIBUTIONS OF NONFINANCIAL ASSETS

The Agency received the following contributions of nonfinancial assets that are reported in the statement of activities as follows:

	<u>2023</u>	<u>2022</u>
Food	\$ 1,152,545	\$ 751,837
Holiday Baskets	39,973	161,200
Clothing	158,236	142,023
Household Items	53,036	28,997
Garden Supplies	1,020	1,363
Education Materials	16,723	2,055
Donated Services	128,908	2,000
Personal Products	36,300	29,148
Children's Items	24,136	22,721
Electronics and Cellphones	2,436	2,595
Durable Goods	55,852	64,048
Cleaning Products	13,971	7,525
Donated Rent	83,456	23,151
Office Supplies	547	-
Purses/Handbags	310	3,000
Jewelry	150	272
Flowers/Centerpieces	4,830	123
Medical Supplies	3,330	-
Total	<u>\$ 1,775,759</u>	<u>\$ 1,242,058</u>

Contributed services and products are valued and reported at their estimated fair value in the financial statements based on current rates of similar products and services. The Agency estimates the fair value of in-kind food donations on the basis of estimates of donated food per pound at local food banks. Refer to the Statement of Functional Expenses for a breakout of corresponding programs the contributions of nonfinancial assets fall under.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 18 LIQUIDITY

The Agency regularly monitors liquidity required to meet its operating needs and other commitments. As of June 30, the following assets could be made readily available within one year:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 14,554,513	\$ 15,203,377
Accounts Receivable	4,257,557	3,823,076
Investments	1,219,327	1,073,877
Less: Net Assets With Donor Restriction Held in Cash and Investments	<u>(614,914)</u>	<u>(539,371)</u>
Total	<u>\$ 19,416,483</u>	<u>\$ 19,560,959</u>

The Agency has a goal to maintain financial assets on hand to meet approximately six months of normal operating expenses. As part of the Agency's liquidity plan, they maintain a \$1,200,000 line of credit. Management could draw upon this resource in the event of unanticipated liquidity need.

NOTE 19 LITIGATION

The Agency, from time to time, is involved in various employment and other legal claims and disputes arising in the ordinary course of business. Although it is not possible to predict the outcome of these matters, it is management's opinion that the outcomes will not have a material effect on the financial condition of the Agency and management of the Agency believes the Agency has adequate insurance coverage for any potential outcomes.

NOTE 20 SUBSEQUENT EVENTS

Effective January 1, 2024, Family & community Services, Inc. became a wholly owned subsidiary of AxessPointe Community health Center, Inc.

Also, effective January 1, 2024, Portage Industries, Inc. is no longer a wholly owned subsidiary of Family & community Services, Inc.

Subsequent events have been evaluated through March 25, 2024, which is the date the consolidated financial statements were available to be issued.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through/Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development				
Direct Program				
Supportive Housing	14.235	OH0703TE072100		\$ 26,307
Supportive Housing	14.235	OH0379L5E072008		6,158
Supportive Housing	14.235	OH0379L5E072109		6,436
				<u>38,901</u>
Pass-Through Veteran Affairs Aftercare				
Supportive Housing	14.235	FAC0451-1051-541-CM-22		99,837
				<u>99,837</u>
Pass-Through Ohio Housing Finance				
COVID-19 Emergency Solutions Grant	14.231	N/A		24,639
				<u>24,639</u>
Pass-Through Ohio Development Services Agency				
COVID-19 Emergency Shelter Grant	14.231	N-L-20-7EF-4		71,781
				<u>71,781</u>
Pass-Through City of Barberton				
Community Development Block Grant	14.218	N/A		10,000
	14.218	N/A		417
				<u>10,417</u>
Pass-Through City of Kent				
Community Development Block Grant	14.218	N/A		13,750
Community Development Block Grant	14.218	N/A		1,250
				<u>15,000</u>
Pass-Through City of Warren				
Community Development Block Grant	14.218	N/A		3,672
				<u>3,672</u>
Total U.S. Department of Housing and Urban Development				<u>264,247</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through/Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Justice				
Pass-Through Ohio Office of Criminal Justice Services Violence Against Women Act - ARRA	16.738	2019-JG-D01-6679A		\$ 7,935
				<u>7,935</u>
Pass-Through State Department of Attorney General				
Crime Victim Assistance	16.575	2022-VOCA-134717862		73,616
Crime Victim Assistance	16.575	2023-VOCA-135111696		1,917
Crime Victim Assistance	16.575	2022-VOCA-134717910		11,720
Crime Victim Assistance	16.575	2023-VOCA-135111746		212,451
Crime Victim Assistance	16.575	2022-VOCA-134717888		2,563
Crime Victim Assistance	16.575	2023-VOCA-135111720		162,310
				<u>464,577</u>
Pass-Through Ohio Office of Criminal Justice Services				
Violence Against Women Act - ARPA	16.588	2021-WF-VA2-8222		3,969
Violence Against Women Act - ARPA	16.588	2022-WF-VA2-8222		14,004
Violence Against Women Act - ARPA	16.588	2021-WF-VA5-8170		5,842
Violence Against Women Act - ARPA	16.588	2022-WF-VA5-8170		20,134
				<u>43,949</u>
Pass-Through Community Legal Aid				
Someplace Safe	16.021	N/A		100,291
				<u>100,291</u>
Pass-Through Ohio Office of Criminal Justice Services				
OH Office of Criminal Justice Services - ARPA	16.034	2020-CE-VSF-2413		25,000
OH Office of Criminal Justice Services - ARPA	16.034	2020-CE-VSF-2449		25,000
				<u>50,000</u>
Pass-Through Ohio Department of Youth				
Valley Counseling	16.540	2020-JJ-PYD-1447		11,829
Valley Counseling	16.540	2021-JJ-PYD-1447		40,618
				<u>52,447</u>
Total U.S. Department of Justice				719,199
U.S. Department of Health and Human Services				
Pass-Through Area Agency on Aging, 10B, Inc.				
Senior Nutrition Program - Farmers Market	93.044	N/A		29,219
Senior Nutrition Program - Farmers Market	93.044	N/A		1,360
				<u>30,579</u>
Pass-Through Title III C1				
Congregate Income				
Meal Program - Portage	93.044	N/A		35,970
Meal Program - Portage	93.044	N/A		132,491
Meal Program - Summit	93.044	N/A		20,915
Meal Program - Summit	93.044	N/A		91,182
				<u>280,558</u>
Pass-Through Title III C2				
Home-Delivered Meal Income				
Meal Program - Portage	93.044	N/A		35,650
Meal Program - Portage	93.044	N/A		74,896
Meal Program - Summit	93.044	N/A		12,681
Meal Program - Summit	93.044	N/A		81,765
				<u>204,992</u>
Pass-Through Temporary Assistance to Needy Families				
Big Brother Big Sister	93.558	N/A		6,842
				<u>6,842</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through/Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services (Continued)				
Pass-Through Ohio Department of Jobs and Family Services				
Paid & Unpaid Work Experience	93.558	20220461		\$ 46,273
Life Skills	93.558	20220461		9,789
Mentoring	93.558	20220461		16,573
Financial Literacy	93.558	20220461		358
Tutoring & Study Skills	93.558	20220461		<u>5,753</u>
				78,746
Pass-Through Portage County Department of Jobs and Family Services				
Domestic Violence Shelter Services	93.558	20210504		40,355
Domestic Violence Shelter Services	93.558	20220504		152,072
Homeless Services	93.558	20220506		71,040
Homeless Services	93.558	20200472		<u>15,562</u>
				279,029
Pass-Through Portage County Board of Commissioners				
Hotel and Rental Assistance	93.558	20220506		14,960
Hotel and Rental Assistance	93.558	2020472		<u>9,424</u>
				24,384
Pass-Through Summit County Veterans Homeless Prevention				
Valor Home Summit	93.558	P202301186		59,478
Valor Home Summit	93.558	P2003283		<u>16,438</u>
				75,916
Pass-Through The Ohio Office of Criminal Justice				
Family Violence Program	93.671	2022-VP-001-4005		40,000
COVID-19 Family Violence Program	93.671	OCJS AARPA		2,379
Family Violence Program	93.671	2022-VP-001-4013		40,000
COVID-19 Family Violence Program	93.671	2021-AR-001-443AR		41,963
COVID-19 Family Violence Program	93.671	OCJS AARPA		<u>8,443</u>
				132,785
Pass-Through Title XX Education				
Chargin Falls Park	93.667	N/A		13,570
Chargin Falls Park	93.667	N/A		<u>45,025</u>
				58,595
Case Manager				
Chargin Falls Park	93.667	N/A		8,990
Chargin Falls Park	93.667	N/A		<u>24,507</u>
				33,497
Mobile Meals				
Summit County	93.667	N/A		16,055
Summit County	93.667	N/A		<u>1,403</u>
				17,458
Pass-Through Mental Health and Recovery Board				
Other PATH	93.958	N/A		<u>80,000</u>
				80,000
Direct				
COVID-19 Valley Counseling-Stimulus Funds	93.498	N/A		<u>97,383</u>
				<u>97,383</u>
Total U.S. Department of Health and Human Services				<u>1,400,764</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through/Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Labor				
Pass-Through Ohio Department of Jobs and Family Services				
WIOA Paid and Unpaid Work Experience	17.259	20230319		\$ 84,007
WIOA Life Skills	17.259	20230319		26,991
WIOA Mentoring	17.259	20230319		28,628
WIOA Financial Literacy	17.259	20210183		369
WIOA Miller Community House	17.259	20230319		11,171
WIOA Tutoring & Study Skills	17.259	20230319		9,072
Total U.S. Department of Labor				<u>160,238</u>
U.S. Department of Veterans Affairs				
Direct Program				
Veterans Affairs Homeless Providers	64.024	FACS451-1395-541-PD-21		3,334,988
Veterans Affairs Homeless Providers	64.024	FACS451-1394-541-SC-21		874
Veterans Affairs Homeless Providers-Capital Grant	64.024	FACS451-2413-541-CG-22		1,311,582
VA IOP	64.024	36C25021Q0082		74,063
VA TIP	64.024	FACS451-1617-541-TP-21		74,553
				<u>4,796,060</u>
Veterans Affairs Supportive Services for Veteran Families	64.033	14-OH-262-SS		182,311
Veterans Affairs Supportive Services for Veteran Families	64.033	14-OH-262-LT		14,480
Veterans Affairs Supportive Services for Veteran Families	64.033	14-OH-262		866,206
Veterans Affairs Supportive Services for Veteran Families	64.033	14-OH-262		210,825
				<u>1,273,822</u>
Total U.S. Department of Veterans Affairs				<u>6,069,882</u>
Corporation for National and Community Service				
Direct Program				
Retired and Senior Volunteer Program	94.002	21SRCOH002		393,547
Retired and Senior Volunteer Program	94.002	21SRCOH002		113,274
				<u>506,821</u>
SSAG	94.017	22SDCOH002		57,472
				<u>57,472</u>
Foster Grandparent Program	94.011	20SFNOH001		427,908
				<u>427,908</u>
VISTA	94.013	21VSCOHO01		57,787
VISTA	94.013	21VSCOHO01		7,331
				<u>65,118</u>
Senior Companion Program	94.016	22CCOH002		342,058
				<u>342,058</u>
Total Corporation for National and Community Service				<u>1,399,377</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through/Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Homeland Security				
Direct Program				
EFSP Phase 39 Next Step	97.024	N/A		\$ 1,575
EFSP Phase 39 Next Step	97.024	N/A		338
EFSP Phase 39 ARPA	97.024	N/A		98,544
EFSP Phase 39 Mobile Meals	97.024	N/A		8,750
ARPA Mobile Meals	97.024	N/A		30,000
EFSP Phase 40 Mobile Meals	97.024	N/A		7,500
Total U.S. Department of Homeland Security				<u>146,707</u>
U.S. Department of Agriculture				
Pass-Through The Ohio Department of Education				
Summer Food Service Program for Children	10.559	N/A		6,612
	10.559	N/A		6,850
Total U.S. Department of Agriculture				<u>13,462</u>
U.S. Department of Education				
Pass-Through Portage County Board of Commissioners				
Help Me Grow - Early Intervention	84.181	N/A		333,984
Help Me Grow - ARPA	84.181	N/A		41,265
Total U.S. Department of Education				<u>375,249</u>
U.S. Department of Treasury				
Pass-Through the City of Kent				
Silver Meadows	21.019	N/A		45,000
				<u>45,000</u>
Pass-Through Title III C2				
HDM Income Portage - ARPA	21.027	N/A		8,654
HDM Income Summit - ARPA	21.027	N/A		18,405
				<u>27,059</u>
Total U.S. Department of Treasury				72,059
Total Expenditures of Federal Awards				<u>\$ 10,621,184</u>
Cluster Titles (Reported Above)				
CNC	10.559			\$ 13,462
CDBG	14.218			29,089
WIOA	17.259			160,238
AGING	93.044/93.045			516,129
FGSC	94.011/94.016			769,966
Total Cluster (Also Reported Above)				<u>\$ 1,488,884</u>

N/A = Not Available

CFDA = Catalog of Federal Domestic Assistance

See accompanying Notes to Schedule of Expenditures of Federal Awards.

FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (schedule) includes the federal grant activity of Family and Community Services, Inc. and Subsidiaries and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

The financial statements reflect revenue recognized from the Provider Relief Fund (PRF) of \$97,383 year ended June 30, 2023. The Schedule includes PRF of \$97,383 that were received in PRF Period 4 in accordance with the requirements of the compliance supplement for assistance listing number 93.498.

The Agency has elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of Assistance Listing 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.



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

Board of Directors
Family and Community Services, Inc. and Subsidiaries
Ravenna, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Family and Community Services, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, and cash flows for the year then ended, the consolidated statement of functional expenses for the year ended June 30, 2023, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 25, 2024.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated 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, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether Family and Community Services, Inc. and Subsidiaries' consolidated 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 consolidated 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*.

Family and Community Services, Inc. and Subsidiaries' Response on Findings

Government Auditing Standards require the auditor to perform limited procedures on Family and Community Services, Inc. and Subsidiaries' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Family and Community Services, Inc. and Subsidiaries' response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



CliftonLarsonAllen LLP

Akron, Ohio
March 25, 2024



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

Board of Directors
Family and Community Services, Inc. and Subsidiaries
Ravenna, Ohio

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Family and Community Services, Inc. and Subsidiaries' 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 Family and Community Services, Inc. and Subsidiaries' major federal programs for the year ended June 30, 2023. Family and Community Services, Inc. and Subsidiaries' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Family and Community Services, Inc. and Subsidiaries 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 (GAAS); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Family and Community Services, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Family and Community Services, Inc. and Subsidiaries' 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 Family and Community Services, Inc. and Subsidiaries' federal programs.

Auditors' 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 Family and Community Services, Inc. and Subsidiaries' 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 GAAS, *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 judgment made by a reasonable user of the report on compliance about Family and Community Services, Inc. and Subsidiaries' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment 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 Family and Community Services, Inc. and Subsidiaries' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Family and Community Services, Inc. and Subsidiaries' 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 Family and Community Services, Inc. and Subsidiaries' 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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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.



CliftonLarsonAllen LLP

Akron, Ohio
March 25, 2024

**FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes x none reported
3. Noncompliance material to financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? yes x no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with section 2CFR 200.516(a)? yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
64.024	Veterans Affairs Homeless Providers

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

Auditee qualified as low-risk auditee? x yes no

**FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings

2023-001

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: A restatement was required of prior year opening net assets to record an accrual for compensated absences.

Criteria or specific requirement: Management is responsible for ensuring that the financial statements are accurately presented in accordance with U.S. generally accepted accounting principles (GAAP).

Effect: Opening net assets without donor restrictions was overstated by \$777,631 due to no accrual for compensated absences.

Cause: Management oversight

Repeat Finding: N/A

Recommendation: Family and Community Services, Inc. and Subsidiaries should evaluate their financial reporting processes and controls to determine whether additional controls over the preparation of annual financial statements should be implemented to provide reasonable assurance that financial statements are prepared in accordance with GAAP.

Views of responsible officials and planned corrective actions: Management understands that they have the ultimate responsibility for the internal control system, including the preparation of the financial statements in accordance with GAAP, and feel they have taken the appropriate steps to correct this error. The above condition was identified by management and corrected.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with the Uniform Guidance.

**FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023**

There were no findings that were required to be reported on herein for the year ended June 30, 2022.



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**FAMILY AND COMMUNITY SERVICES, INC. AND SUBSIDIARIES
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2023**

Federal Audit Clearinghouse:

Family and Community Services, Inc. and Subsidiaries respectfully submits the following corrective action plan for the year ended June 30, 2023.

Audit period: July 1, 2022 to June 30, 2023.

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2023-001 Material Weakness in Internal Control over Financial Reporting

Recommendation: Family and Community Services, Inc. and Subsidiaries should evaluate their financial reporting processes and controls to determine whether additional controls over the preparation of annual financial statements should be implemented to provide reasonable assurance that financial statements are prepared in accordance with GAAP.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: An accrual for compensated absences was calculated and recorded. This will be adjusted annually to reflect potential agency expense and year-end accruals.

Name(s) of the contact person(s) responsible for corrective action: Greg Musci, Director of Finance

Planned completion date for corrective action plan: 06/30/2023

If the Federal Audit Clearinghouse or Department of Veterans Affairs has questions regarding this plan, please call Greg Musci at 330-297-7027 x 303.