Christ Community Health Services, Inc.

Independent Auditor's Reports and Consolidated Financial Statements

June 30, 2022 and 2021

Christ Community Health Services, Inc.

June 30, 2022 and 2021

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Christ Community Health Services, Inc.

Rosters of Management Officials and Board Members

June 30, 2022

Management Officials

Shantelle Leatherwood, Chief Executive Officer
Talia Peterson, Chief Financial Officer
Will Jackson, Chief Operating Officer
Dr. Benjamin Andrews, Chief Clinical Officer
Dr. Bobby Baker, Chief of Community Engagement and Spiritual Health
Dr. Regnique Green, Chief Clinical Officer for Clinical Operations
Mary Whitaker, J.D., Chief Legal and Human Resource Officer
Susan Otten, Chief People Officer

Board Members

Ross Dyer, Chair
Joseph Aldridge, Vice-Chair
Orpheus Triplett, Treasurer
Norma Hunt, Secretary
Rebecca Kernan, Immediate Past Chair
Kirk Bailey
Bobby Crenshaw
Howard Eddings
Jerry Gay
Bill Griffin
Carol Jackson
Florence Jones
Myra Martin
Sharon Norwood
Angela Rogers
Carolyn Agapos, Non-Voting Advisory Member
Tim Bowers, Non-Voting Advisory Member
Christy Cornell, Non-Voting Advisory Member
Leah Hillis, Non-Voting Advisory Member

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Independent Auditor's Report

Board of Directors
Christ Community Health Services, Inc.
Memphis, Tennessee

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Christ Community Health Services, Inc., which comprise the consolidated balance sheets as of June 30, 2022 and 2021, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Christ Community Health Services, Inc., as of June 30, 2022 and 2021, and the results of its operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 (*Government Auditing Standards*). 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 Christ Community Health Services, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Christ Community Health Services, Inc.'s ability to continue as a going concern for one year after the date that these consolidated financial statements are available to be issued.

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Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated 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 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 Christ Community Health Services, 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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Christ Community Health Services, 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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 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 consolidated 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 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 or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Rosters of Management Officials and Board Members and consolidating schedules, as listed within the table of contents, are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2023, on our consideration of Christ Community Health Services, 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 Christ Community Health Services, 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 Christ Community Health Services, Inc.'s internal control over financial reporting and compliance.

FORVIS, LLP

Springfield, Missouri
April 20, 2023

Christ Community Health Services, Inc.

Consolidated Balance Sheets

June 30, 2022 and 2021

Assets

	2022	2021
Current Assets		
Cash and cash equivalents	$ 1,337,587	$ 3,915,908
Short-term investments	223,729	238,673
Assets limited as to use – current	304,974	441,820
Patient accounts receivable	2,849,092	2,596,499
Grants and other receivables	2,317,756	2,233,172
Estimated amounts due from third-party payors	5,183,381	1,465,862
Supplies and pharmacy inventory	43,486	51,521
Prepaid expenses	389,303	294,843
Total current assets	12,649,308	11,238,298
Assets Limited As To Use		
Internally designated	104,010	104,010
Held by trustee	304,974	441,820
	408,984	545,830
Less amount required to meet current obligations	304,974	441,820
	104,010	104,010
Property and Equipment, At Cost		
Land	1,832,531	1,832,531
Buildings and leasehold improvements	14,825,139	14,804,307
Equipment	4,865,882	4,404,839
Furniture and fixtures	1,394,517	1,354,668
Construction in progress	759,904	705,279
	23,677,973	23,101,624
Less accumulated depreciation	11,804,585	10,909,205
	11,873,388	12,192,419
Other Assets	12,100	11,600
Total assets	$ 24,638,806	$ 23,546,327

See Notes to Consolidated Financial Statements

Liabilities and Net Assets

	2022	2021
Current Liabilities		
Note payable to bank	$ 931,763	$ -
Current maturities of long-term debt	58,442	56,835
Accounts payable	2,369,012	1,653,691
Accrued expenses	3,210,041	2,798,647
Accrued rent expense – current	19,235	19,235
Deferred revenue	-	643,581
Total current liabilities	6,588,493	5,171,989
Note Payable to Bank	-	931,763
Accrued Rent Expense	177,126	196,360
Long-Term Debt	1,013,056	3,581,094
Total liabilities	7,778,675	9,881,206
Net Assets		
Without donor restrictions	16,111,412	12,801,184
With donor restrictions	748,719	863,937
Total net assets	16,860,131	13,665,121
Total liabilities and net assets	$ 24,638,806	$ 23,546,327

Christ Community Health Services, Inc.
Consolidated Statements of Operations
Years Ended June 30, 2022 and 2021

	2022	2021 (Adjusted - *Note 21*)
Revenues, Gains, and Other Support Without Donor Restrictions		
Patient service revenue	$ 36,279,629	$ 28,607,904
Grant revenue	20,931,734	15,855,561
Contributions of cash and other financial assets	864,173	1,458,946
Contributions of nonfinancial assets	71,097	64,853
Other	571,343	904,579
Net assets released from restrictions used for operations	321,771	145,529
Total revenues, gains, and other support without donor restrictions	59,039,747	47,037,372
Expenses and Losses		
Salaries and wages	30,793,783	27,164,449
Employee benefits	5,411,440	3,962,668
Purchased services and professional fees	7,434,432	3,370,338
Supplies and other	13,004,255	11,718,639
Rent	624,888	636,846
Depreciation	895,390	925,698
Interest	97,815	66,725
Total expenses and losses	58,262,003	47,845,363
Operating Income (Loss)	777,744	(807,991)
Other Income		
Investment return, net	(9,968)	51,347
Gain on extinguishment of debt	2,542,452	-
Total other income	2,532,484	51,347
Excess (Deficiency) of Revenues Over Expenses and Increase (Decrease) in Net Assets Without Donor Restrictions	$ 3,310,228	$ (756,644)

Christ Community Health Services, Inc.
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2022 and 2021

	2022	2021
Net Assets Without Donor Restrictions		
Excess (deficiency) of revenues over expenses	$ 3,310,228	$ (756,644)
Increase (decrease) in net assets without donor restrictions	3,310,228	(756,644)
Net Assets With Donor Restrictions		
Contributions of cash and other financial assets	206,553	262,037
Net assets released from restriction	(321,771)	(145,529)
Increase (decrease) in net assets with donor restrictions	(115,218)	116,508
Change in Net Assets	3,195,010	(640,136)
Net Assets, Beginning of Year	13,665,121	14,305,257
Net Assets, End of Year	$ 16,860,131	$ 13,665,121

Christ Community Health Services, Inc.
Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	$ 3,195,010	$ (640,136)
Items not requiring (providing) cash		
Depreciation	895,390	925,698
Net unrealized (gain) loss on investments	15,235	(4,538)
Gain on extinguishment of debt	(2,542,452)	-
Contributions for acquisition of property and equipment	(89,779)	-
Changes in		
Patient accounts receivable	(252,593)	(200,522)
Grants and other receivables	(84,584)	(350,976)
Estimated amounts due from third-party payors	(3,717,519)	(859,057)
Accounts payable and accrued expenses	1,123,346	476,817
Accrued rent expense and deferred revenue	(662,815)	332,783
Other current assets and liabilities	(86,925)	(23,229)
Net cash used in operating activities	(2,207,686)	(343,160)
Investing Activities		
Purchase of investments	(291)	(4,410)
Proceeds from disposition of investments	-	4,128
Purchase of property and equipment	(540,638)	(784,595)
Net cash used in investing activities	(540,929)	(784,877)
Financing Activities		
Proceeds from contributions for acquisition of property and equipment	89,779	-
Principal payments on long-term debt	(56,331)	(55,518)
Principal payments on notes payable to bank	-	(5,478)
Net cash provided by (used in) financing activities	33,448	(60,996)

Christ Community Health Services, Inc.
Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Decrease in Cash, Cash Equivalents, and Restricted Cash	$ (2,715,167)	$ (1,189,033)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	4,461,738	5,650,771
Cash, Cash Equivalents, and Restricted Cash, End of Year	$ 1,746,571	$ 4,461,738
Reconciliation of Cash, Cash Equivalents, and Restricted Cash to Balance Sheet		
Cash and cash equivalents	$ 1,337,587	$ 3,915,908
Assets limited as to use	408,984	545,830
	$ 1,746,571	$ 4,461,738
Supplemental Cash Flows Information		
Interest paid	$ 97,815	$ 66,725
Accounts payable incurred for property and equipment	$ 35,721	$ -

Christ Community Health Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Christ Community Health Services, Inc. (the "Health Center") is a federally qualified health center which provides health care services to a largely medically underserved population in Memphis, Tennessee, using a faith-based methodology. Christ Community Health Services, Inc. primarily earns revenues by providing physician, dental, and related health care services through clinics located in and around Memphis.

CCHS Holdings NP, Inc. (CCHS Holdings) was formed in June 2020 to support the Health Center. CCHS Holdings was retroactively granted exempt status under Section 501. The Health Center is the controlling entity of CCHS Holdings.

Principles of Consolidation

The consolidated financial statements include the accounts of the Health Center and CCHS Holdings (collectively, the "Organization"). All material intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2022 and 2021, cash equivalents consisted primarily of money market accounts.

At June 30, 2022, the Organization's cash accounts exceeded federally insured limits by approximately $1,397,000.

Equity Investments

The Organization measures equity securities at fair value with changes recognized in excess (deficiency) revenues over expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Net Investment Return

Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statements of operations and changes in net assets as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Assets Limited As To Use

Assets limited as to use include (1) assets set aside by the Board of Directors for future capital acquisitions over which the Board retains control and may at its discretion subsequently use for other purposes and (2) assets held by trustees for employee medical and unemployment claims. Amounts required to meet current liabilities of the Organization are included in current assets.

Patient Accounts Receivable

Patient accounts receivable reflects the outstanding amount of 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 programs), and others. As a service to the patient, the Organization bills third-party payors directly and bills the patient when the patient's responsibility for copays, coinsurance, and deductibles is determined. Patient accounts receivable are due in full when billed.

No material bad debt expense has been recognized for the years ended June 30, 2022 and 2021.

Supplies and Pharmacy Inventory

The Organization states supplies and pharmacy inventory at the lower of cost, determined using the first-in, first-out method, or net realizable value.

Property and Equipment

Property and equipment acquisitions over $5,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on a straight-line basis over the estimated useful life of each asset. As applicable, assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and leasehold improvements	5–40 years
Equipment	2–15 years
Furniture and fixtures	5–20 years

Donations of property and equipment are reported at fair value as an increase in net assets without donor restrictions unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in net assets without donor restrictions when the donated asset is placed in service.

Certain property and equipment have been purchased with grant funds received from the U.S. Department of Health and Human Services. Such items or a portion thereof may be reclaimed by the federal government if not used to further the grant's objectives.

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2022 and 2021.

Self-Insurance

The Organization has elected to self-insure certain costs related to employee health and unemployment programs. Costs resulting from noninsured losses are charged to income when incurred. The Organization has purchased insurance that limits its exposure for individual claims.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor restrictions. Restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

Patient Service Revenue

Patient service revenue is recognized as the Organization satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policies, and implicit price concessions provided to uninsured patients.

The Organization determines its estimates of explicit price concessions which represent adjustments and discounts based on contractual agreements, its discount policies, and historical experience by payor groups. The Organization determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations by third-party payors.

340B Drug Pricing Program

The Organization participates in the 340B "Drug Pricing Program" which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Discount Program is managed by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs. The Organization receives benefits under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Organization has a network of participating pharmacies that dispense the pharmaceuticals to its patients under a contract arrangement with the Organization. Reported 340B revenue consists of the pharmacy reimbursements, net of the initial purchase price of the drugs.

	2022	2021
Internal pharmacy receipts	$ 3,084,968	$ 2,600,766
Internal pharmacy cost of goods sold	(521,496)	(371,221)
Internal pharmacy other operating expenses	(2,400,297)	(2,142,358)
Internal pharmacy net revenue (loss)	163,175	87,187
Contract pharmacy receipts	9,996,731	6,640,854
Contract pharmacy drug replenishment costs	(4,042,489)	(2,619,949)
Contract pharmacy administrative and filling fees	(1,468,278)	(990,735)
Contract pharmacy net revenue	4,485,964	3,030,170
Net revenue	$ 4,649,139	$ 3,117,357

The 340B gross receipts are included in patient service revenue on the consolidated statements of operations and are recognized as revenue as the Organization satisfies performance under its contracts with patients. The cost of goods sold, other operating expenses, drug replenishment costs, and administrative and filling fees are included in operating expenses in the consolidated statements of operations. The net 340B revenue from this program is used in furtherance of the Organization's mission.

Government Grant Revenue

Support funded by grants is generally considered a conditional contribution and recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant agreements which are reimbursement for services provided are considered exchange transactions and recognized as client service revenue which is recognized as the service is performed. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.,* the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Income Taxes

The Organization has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization files tax returns in the U.S. federal jurisdiction.

Excess (Deficiency) of Revenues Over Expenses

The consolidated statements of operations include excess (deficiency) of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess (deficiency) of revenues over expenses, consistent with industry practice, include contributions and grants of long-lived assets (including assets acquired using contributions or grants which by donor or granting agency restriction were to be used for the purpose of acquiring such assets).

Note 2: Grant Revenue

The Organization is the recipient of a Consolidated Health Centers (CHC) grant from the U.S. Department of Health and Human Services. The general purpose of the grant is to provide expanded health care service delivery for the medically underserved population in Memphis, Tennessee. Terms of the grant generally provide for funding of the Organization's operations based on an approved budget. Grant revenue is recognized as qualifying expenditures are incurred over the grant period. During the years ended June 30, 2022 and 2021, the Organization recognized $7,089,747 and $7,514,358, respectively, in CHC grant revenue.

The Organization's present CHC grant award covers the grant year ending April 30, 2023, and is approved at $6,343,771. The CHC grant is considered a conditional award. As such, the approved funding in which the Organization has not incurred allowable expenditures has not been recognized in the financial statements at year-end.

In addition to the above grant, the Organization receives additional financial support from other state, local, and private sources. Generally, such support requires compliance with terms and conditions specified in grant agreements and must be renewed on an annual basis.

Note 3: Patient Service Revenue

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 programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is 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 patients receiving services in the Organization's clinics. The Organization measures the performance obligation from commencement of a service to the point when it is no longer required to provide services to that patient, which is generally at the time of completion of the services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to its patients and customers in a retail setting (for example, pharmaceuticals) and the Organization does not believe it is required to provide additional goods related to the patient. The Organization had no performance obligations considered unsatisfied or partially unsatisfied as of June 30, 2022 and 2021.

Transaction Price

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

Third-Party Payors

The Organization is approved as a Federally Qualified Health Center (FQHC) for both Medicare and Medicaid reimbursement purposes. The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare. Covered FQHC services rendered to Medicare program beneficiaries are paid in accordance with provisions of Medicare's Prospective Payment System (PPS) for FQHCs. Medicare payments, including patient coinsurance, are paid based on the lesser of the Organization's actual charge or the applicable PPS rate. Services not covered under the FQHC benefit are paid based on established fee schedules.

Medicaid. Covered FQHC services rendered to Medicaid program beneficiaries are paid based on a prospective reimbursement methodology. The Organization is reimbursed a set encounter rate for all services provided. Services not covered under the FQHC benefit are paid based on established fee schedules.

Other. Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per billable encounter, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medical Assistance, 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.

Settlements with third-party payors for retroactive 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 based on newly available information 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 approximately $739,000 and $0 in 2022 and 2021, respectively.

Refund Liabilities

From time to time the Organization will receive overpayments of patient balances from third-party payors or patients resulting in amounts owed back to either the patients or third-party payors. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of June 30, 2022 and 2021, the Organization has a liability for refunds to third-party payors and patients recorded of $15,072 and $0, respectively, which is included in accounts payable on the consolidated balance sheets.

Patient and Uninsured Payors

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. As required by Section 330 of the Public Health Service Act (42 U.S.C. §254b), the Organization also has established a sliding fee discount program and offers low-income patients a sliding fee discount from standard charges. 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, sliding fee discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended June 30, 2022 and 2021, no significant revenue was recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years. 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.

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 patients with other uninsured balances, such as copays and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history with those patients.

Revenue Composition

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 and payment methodologies and service lines
- The Organization's line of business that provided the service (for example, medical, dental, pediatrics, pharmacy, etc.)

For the years ended June 30, 2022 and 2021, the Organization recorded patient service revenue of $23,197,930 and $19,366,284, respectively, from health care services transferred to the customer over time and $13,081,699 and $9,241,620, respectively, from pharmacy sales at a point in time.

Financing Component

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 the patient or a third-party payor pays for the service will be one year or less.

Contract Costs

The Organization has applied the practical expedient provided by FASB ASC 320-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Organization otherwise would have recognized is one year or less in duration.

Contract Balances

The following table provides information about the Organization's receivables, contract assets, and contract liabilities from contracts with customers:

	2022	2021
Accounts receivable, beginning of year	$ 2,596,499	$ 2,395,977
Accounts receivable, end of year	2,849,092	2,596,499

The Organization has no significant contract assets or contract liabilities at June 30, 2022 and 2021.

Note 4: Concentration of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2022 and 2021, is:

	2022	2021
Medicare	56%	51%
Medicaid	19%	25%
Other third-party payors	24%	23%
Self-pay	1%	1%
	100%	100%

Note 5: Investments and Investment Return

Assets Limited As To Use

Assets limited as to use include:

	2022	2021
Internally designated		
Cash and cash equivalents	$ 104,010	$ 104,010
Held by trustee		
Cash and cash equivalents	$ 304,974	$ 441,820

Short-Term Investments

Short-term investments include:

	2022	2021
Taxable bond funds	$ 223,729	$ 238,673

Total investment return is reflected in the statements of operations and changes in net assets as a component of net assets without donor restrictions and is comprised of the following:

	2022	2021
Interest and dividend income	$ 5,267	$ 46,809
Unrealized gains (losses) on securities	(15,235)	4,538
	$ (9,968)	$ 51,347

Note 6: Professional Liability Claims

The U.S. Department of Health and Human Services deemed the Organization and its practicing medical professionals 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. Prior to being deemed for coverage under the FTCA, the Organization purchased medical malpractice insurance under a claims-made policy on a fixed premium basis.

The Organization purchases primary and excess liability malpractice insurance under occurrence policies for certain services and other portions of the Organization not covered under FTCA.

Claim liabilities are determined without consideration of insurance recoveries. Expected recoveries are presented separately. An estimate is accrued for expected losses of medical malpractice claims and includes an estimate of the ultimate costs of both reported claims and claims incurred but not reported. The expected recovery from the Organization's insurance provider has been recorded within other assets. It is possible that an event has occurred which will be the basis of a future material claim.

Note 7: Note Payable to Bank

The Organization has a $4,000,000 revolving bank line of credit which expires January 31, 2024. At June 30, 2022 and 2021, there was $931,763 borrowed against this line. The line of credit is guaranteed by two unrelated not-for-profit hospitals and is further secured by the Organization's patient accounts receivable. Interest is payable monthly at the bank's prime rate (7.75 percent at June 30, 2022).

In connection with the business agreement for the line of credit, the Organization is required to comply with certain restrictive covenants including maintaining a debt-to-worth ratio not to exceed 2.5 to 1. The Organization is also required to provide audited financial statements within 120 days of fiscal year-end. This requirement was not met for the year ended June 30, 2022.

Note 8: Long-Term Debt

Long-term debt at June 30, 2022 and 2021, consisted of the following:

	2022	2021
Note payable (A)	$ 1,071,498	$ 1,127,829
Note payable (B)	-	2,510,100
	1,071,498	3,637,929
Less current maturities	58,442	56,835
	$ 1,013,056	$ 3,581,094

(A) Due March 2, 2027; payable in monthly installments of $7,517 including interest at 3.00 percent through February 2, 2027, and a final installment of the remaining principal and interest is due. Note is collateralized by certain real property.

The note payable requires that the Organization complies with certain restricted covenants including maintaining a debt-to-worth ratio not to exceed 2.5 to 1 and a debt service coverage ratio of at least 1.2 to 1 and delivering the audit report to the lender within 120 days of year-end. The timely delivery of audited financial statements covenant was not met for the year ended June 30, 2022. Management has reported the noncompliance to the lender and the lender has agreed to take no action on the failure to meet these requirements for the year ended June 30, 2022.

(B) Paycheck Protection Program unsecured note payable due April 30, 2022, payable in 18 monthly installments beginning November 2020, including 1 percent interest if the loan is not forgiven. In July 2021, the Organization applied for and received 100 percent loan forgiveness as loan proceeds were used to cover payroll and certain other expenses in accordance with the requirements of the Paycheck Protection Program.

Aggregate annual maturities of long-term debt at June 30, 2022, are:

2023	$ 58,442
2024	60,163
2025	62,100
2026	64,016
2027	826,777
	$ 1,071,498

Note 9: Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2022 and 2021, are restricted for the following purposes or periods:

	2022	2021
Health care services	$ 268,272	$ 248,650
COVID-19	-	232,400
Project Hope	63,668	55,887
Jackson Clinic Construction	64,279	-
Third Street Construction	352,500	327,000
	$ 748,719	$ 863,937

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors.

	2022	2021
Health care services	$ 89,371	$ 145,529
COVID-19	232,400	-
	$ 321,771	$ 145,529

Note 10: Conditional Grants and Contributions

The Organization has received the following conditional promises to give at June 30, 2022 and 2021, that are not recognized in the consolidated financial statements:

	2022	2021
Given upon incurring allowable expenditures under the agreement	$ 12,657,425	$ 15,040,352

Note 11: Contributed Nonfinancial Assets

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statement of operations included:

	2022	2021
Building	$ 71,097	$ 64,853

The nonfinancial assets listed above were recognized within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Building

The contributed building was used for general and administrative activities. In valuing the contributed building rent, which is located in Memphis, Tennessee, the Organization estimated the fair value on the basis of comparable rental prices in Memphis' real estate market.

Note 12: Liquidity and Availability

The Organization's financial assets available within one year of the balance sheet date for general expenditures are:

	2022	2021
Financial assets at year-end		
Cash and cash equivalents	$ 1,337,587	$ 3,915,908
Short-term investments	223,729	238,673
Assets limited as to use	408,984	545,830
Patient accounts receivable	2,849,092	2,596,499
Grants and other receivables	2,317,756	2,233,172
Estimated amounts due from third-party payors	5,183,381	1,465,862
Total financial assets	12,320,529	10,995,944
Less amounts not available to be used within one year		
Board designated	104,010	104,010
Financial assets not available to be used within one year	104,010	104,010
Financial assets available to meet general expenditures within one year	$ 12,216,519	$ 10,891,934

The Organization has certain Board-designated assets that are designated for future capital expenditures. These assets limited to use, which are more fully described in *Notes 1* and *5*, are not available for general expenditure within the next year. However, the Board-designated amounts could be made available, if necessary.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Organization has a committed line of credit of $4,000,000, which it could draw upon (see *Note 7*).

Note 13: Functional Expenses

The Organization provides health care services primarily to residents within its geographic area. Certain costs attributable to more than one function have been allocated among the medical and behavioral health, dental, pharmacy, other program services and general and administrative services functional expense classifications based on various methods. Other program services are related to contractual arrangements described in *Note 16*. The following schedule presents the natural classification of expenses by function:

	Health Care Services					
	Medical & Behavioral Health	Dental	Pharmacy	Other Program Services	General and Administrative	Total
2022						
Salaries and wages	$ 21,149,001	$ 2,703,405	$ 1,752,307	$ 447,330	$ 4,741,740	$ 30,793,783
Employee benefits	2,243,128	387,667	214,531	43,804	2,522,310	5,411,440
Purchased services and professional fees	2,933,678	543,439	1,525,400	-	2,431,915	7,434,432
Supplies and other	4,281,605	1,042,943	4,885,388	228,934	2,565,385	13,004,255
Rent	477,406	89,078	12,709	25,609	20,086	624,888
Depreciation	478,793	114,554	42,225	53,904	205,914	895,390
Interest	-	-	-	-	97,815	97,815
	$ 31,563,611	$ 4,881,086	$ 8,432,560	$ 799,581	$ 12,585,165	$ 58,262,003
2021						
Salaries and wages	$ 15,641,882	$ 2,947,024	$ 1,658,387	$ 456,706	$ 6,460,450	$ 27,164,449
Employee benefits	1,756,070	311,534	185,660	48,351	1,661,053	3,962,668
Purchased services and professional fees	2,038,703	249,793	33,933	-	1,047,909	3,370,338
Supplies and other	3,952,353	1,316,949	4,220,314	196,896	2,032,127	11,718,639
Rent	487,980	70,967	11,819	27,937	38,143	636,846
Depreciation	512,595	164,778	14,150	41,371	192,804	925,698
Interest	-	-	-	-	66,725	66,725
	$ 24,389,583	$ 5,061,045	$ 6,124,263	$ 771,261	$ 11,499,211	$ 47,845,363

Note 14: Operating Leases

The Organization leases facilities under operating leases expiring at various dates through 2033. Future minimum lease payments at June 30, 2022, were:

2023	$ 336,623
2024	452,283
2025	366,796
2026	367,860
2027	370,397
Thereafter	2,432,360
Future minimum lease payments	$ 4,326,319

Note 15: Retirement Plan

The Organization has a 401(k) defined contribution retirement plan covering substantially all employees who have completed one year of service. The Organization matches 50 percent of each participant's eligible contributions up to 6 percent of compensation. Retirement expense was $336,103 and $255,267 for the years ended June 30, 2022 and 2021, respectively.

Note 16: Contractual Arrangements

The Organization is affiliated with Christ Community Health Fellowship, Inc. (CCHF). The entities currently share common administrative facilities, but have different boards of directors. The Organization does not have the ability to appoint or remove the board of directors of CCHF; however the CEO of the Organization is currently a member of the board of directors of CCHF. Under a staff services and space use agreement executed in January 2018, the Organization charges CCHF for salaries and wages, employee benefits, and supplies and other operating expenses. During the years ended June 30, 2022 and 2021, the Organization recorded $264,288 and $246,288, respectively, in other revenue in the consolidated statements of operations related to these charges. At June 30, 2022 and 2021, the Organization had a receivable due from CCHF of $65,950 and $80,180, respectively, included in grants and other receivables in the consolidated balance sheets.

The Organization is affiliated with Families Matter, Inc. (FM). The entities currently share common administrative facilities, but have different boards of directors. The Organization does not have the ability to appoint or remove the board of directors of FM. The Executive Director of FM is currently a member of the Board of Directors of the Organization. Under a staff services and space use agreement executed in February 2019, the Organization charges FM for salaries and wages, employee benefits, and supplies and other operating expenses. During the years ended June 30, 2022 and 2021, the Organization recorded $57,700 and $58,636, respectively, in other revenue in the consolidated statements of operations related to these charges. At June 30, 2022 and 2021, the Organization had a receivable due from FM of $39,305 and $37,733, respectively, included in grants and other receivables in the consolidated balance sheets.

The Organization is affiliated with Bridgetown Ventures (BT). The entities currently share common administrative facilities, but have different boards of directors. The Organization does not have the ability to appoint or remove the board of directors of BT. Under a staff services and space use agreement executed in September 2018, the Organization charges BT for salaries and wages, employee benefits, and supplies and other operating expenses. During the years ended June 30, 2022 and 2021, the Organization recorded $148,666 and $120,933, respectively, in other revenue in the consolidated statements of operations related to these charges. At June 30, 2022 and 2021, the Organization had a receivable due from BT of $27,760 and $40,564, respectively, included in grants and other receivables in the consolidated balance sheets.

The Organization has entered into a sublease agreement and collaboration agreement with Adverse Childhood Experience (ACE) Awareness Foundation to operate the Universal Parenting Place at Christ Community Health Services in Raleigh. The entities have different boards of directors. The Organization does not have the ability to appoint or remove the board of directors of ACE Awareness Foundation. Under the collaboration agreement, the Organization charges ACE Awareness Foundation for salaries and wages, employee benefits, and supplies and other operating expenses. This agreement ended during the year ended June 30, 2021. During the years ended June 30, 2022 and 2021, the Organization recorded $0 and $68,650, respectively, in other revenue in the consolidated statements of operations related to these charges and rental income. At June 30, 2022 and 2021, the Organization had a receivable due from ACE Awareness Foundation of $0 included in grants and other receivables in the consolidated balance sheets.

Note 17: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

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

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2022 and 2021:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2022				
Money market funds	$ 1,942	$ 1,942	$ -	$ -
Taxable bond funds	223,729	223,729	-	-
2021				
Money market funds	$ 2,233	$ 2,233	$ -	$ -
Taxable bond funds	238,673	238,673	-	-

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2022.

Investments and Cash Equivalents

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities included money market funds and mutual funds. If quoted market prices were not available, then fair values would be estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows are classified within Level 2. In certain cases, where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Organization had no securities classified within Level 2 or Level 3 of the hierarchy.

Note 18: Construction in Progress

The Organization is in the planning phase of renovating the 90,000 square foot shopping center acquired by the Organization in 2019 in Memphis, Tennessee. Costs of approximately $704,000 are included with construction in progress on the balance sheet at June 30, 2022. In the first phase, the Organization will renovate the existing health center coupled with an adjacent 25,000 square feet to expand its Third Street Health Center and add a Specialty Pharmacy, Residency, and possibly Urgent Care. The estimated cost of the entire project for all three phases is $12,000,000. The revised renovations are expected to be completed in 2024 or 2025. The Organization plans to finance the project through a combination of fundraising and financing.

The Organization is also in the initial planning phase for two other renovation projects for sites in Memphis and Jackson, Tennessee. These projects are anticipated to begin around the completion of the renovation project discussed above. Estimated project costs and expected completion dates for these two renovation projects are not yet known.

Note 19: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Grant Revenue

A concentration of revenues related to grant awards and other support is described in *Note 2*.

Investments

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated balance sheets.

Variable Consideration

Estimates of variable consideration in determining the transaction price for patient service revenue are described in *Notes 1* and *3*.

Professional Liability Claims

Estimates related to the accrual for medical malpractice claims are described in *Note 6*.

Litigation

The Organization is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. Some of these allegations are in areas not covered by the Organization's self-insurance program (discussed elsewhere in these notes) or by commercial insurance, for example, allegations regarding employment practices or performance of contracts. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated balance sheets, change in net assets, and cash flows of the Organization. Events could occur that would change this estimate materially in the near term.

340B Drug Pricing Program

The Organization participates in the 340B Drug Pricing Program (340B Program) as a covered entity which enables the Organization to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA has implemented a program integrity initiative to maximize oversight and manage compliance risks for 340B Program covered entities. The initiative's guiding principles include audits of covered entities and manufacturers to enforce requirements for these stakeholders. Annual recertification is required to allow covered entities an opportunity to assess their 340B Program and reattest to meeting program requirements.

Laws and regulations governing the 340B Program are complex and subject to interpretation and change. The Organization monitors requests and notifications from manufacturers and assesses with their legal department as needed as these notifications could result in potential reduction in savings for the Organization. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

Self-Insurance

Under the Organization's insurance programs, coverage is obtained for catastrophic exposures as well as those risks required to be insured by law or contract. The Organization retains a significant portion of certain expected losses related primarily to employee health and unemployment coverage.

Provision for losses expected under these programs are recorded based upon the Organization's estimates of the aggregated liability for claims incurred and totaled $597,161 and $606,826 at June 30, 2022 and 2021, respectively. The amount of actual losses incurred could differ materially from these estimates. The Organization does maintain stop-loss commercial coverage.

Note 20: COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

The extent of the COVID-19 pandemic's adverse effect on the Organization's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Organization's control and ability to forecast.

Because of these and other uncertainties, the Organization cannot estimate the length or severity of the effect of the pandemic on the Organization's business.

Provider Relief Fund

During the years ended June 30, 2022 and 2021, the Organization received $859,575 and $591,586, respectively, of distributions from the CARES Act Provider Relief Fund (collectively, the "Provider Relief Fund"). These distributions from the Provider Relief Fund are not subject to repayment, provided the Organization is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the U.S. Department of Health and Human Services.

The Organization has elected to account for such payments as conditional contributions in accordance with ASC Topic 958-605, *Revenue Recognition*. Payments are recognized as grant revenue once the applicable terms and conditions required to retain the funds have been substantially met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Organization's revenues and expenses through year-end, the Organization recognized $1,150,453 and $300,708 during the years ended June 30, 2022 and 2021, respectively, related to the distributions from the Provider Relief Fund, and these payments are recorded as grant revenue in the accompanying consolidated statements of operations. Payments not recognized are recorded as deferred grant revenue in the accompanying consolidated balance sheets.

The Organization will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Organization's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Organization is unable to attest to or comply with current or future terms and conditions, the Organization's ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the financial statements compared to the Organization's Provider Relief Fund reporting could differ. The Provider Relief Funds are subject to government oversight, including potential audits.

Paycheck Protection Program (PPP) Loan

The Organization received a PPP loan established by the CARES Act and has elected to account for the funding as a loan in accordance with ASC Topic 470, *Debt* (see *Note 8*). Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as a gain in the financial statements in the period the debt is legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to any gain recognized.

In July 2021, the Organization received legal notice that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment in fiscal year 2022.

Supplementary CARES Act Grants

In the spring of 2020, the Organization was awarded three additional federal grant awards with various budget periods through March 2021 from the Health Center *Coronavirus Aid, Relief, and Economic Security* (CARES) *Act* funding totaling $3,154,473. Each grant award contains specific terms and conditions that must be followed when utilizing this funding. Grant revenue is recognized, and grant funds are drawn down, as the Organization meets the conditions prescribed by the grant agreements which require incurring qualifying expenditures over the grant period. During the years ended June 30, 2022 and 2021, the Organization recognized $0 and $2,978,256 in CARES Act grant funds, respectively.

American Rescue Plan Act Grants

In March 2021 and as part of the American Rescue Plan Act, the Organization was awarded a federal grant award for $13,137,500 for a budget period of April 2021 through March 2023. The award has specific terms and conditions that must be followed when utilizing the funding. Grant revenue is recognized, and grant funds drawn down, as the Organization meets the conditions prescribed by the grant agreement which require incurring qualifying expenditures over the grant period. During the years ended June 30, 2022 and 2021, the Organization recognized $8,552,885 and $247,532 in American Rescue Plan Act grant funds, respectively.

In September 2021 and as part of the American Rescue Plan Act, the Organization was awarded a federal grant award for capital improvements for $1,118,816 for a budget period of September 2021 through September 2024. The award has specific terms and conditions that must be followed when utilizing the funding. Grant revenue is recognized, and grant funds drawn down, as the Organization meets the conditions prescribed by the grant agreement which require incurring qualifying expenditures over the grant period. During the years ended June 30, 2022 and 2021, the Organization recognized $0 in American Rescue Plan Act grant funds for this award.

Note 21: Change in Accounting Principle

In 2022, the Organization adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, on a retrospective basis. ASU 2020-07 required contributed nonfinancial assets to be presented separately from contributions of cash or other financial assets in the statements of operations and disclosures within the notes to the financial statements about the valuation methodology for, use of, and donor-imposed restrictions associated with contributed nonfinancial assets.

The following table presents the related effect of the adoption of ASU 2020-07 on the statement of operations for the year ended June 30, 2021:

	June 30, 2021		
	As Previously Reported	As Adjusted	Adoption Impact
Statement of Operations			
Revenues, Gains, and Other Support Without Donor Restrictions			
Contributions	$ 1,523,799	$ -	$ (1,523,799)
Contributions of cash and other financial assets	-	1,458,946	1,458,946
Contributed nonfinancial assets	-	64,853	64,853

The adoption had no impact on operating income or overall change in net assets.

Note 22: Subsequent Events

Subsequent events have been evaluated through April 20, 2023, which is the date the financial statements were available to be issued.

Note 23: Future Change in Accounting Principle

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for statement of operations recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single-lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Organization is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Supplementary Information

Christ Community Health Services, Inc.

Consolidating Schedule – Balance Sheet Information

June 30, 2022

Assets

	Christ Community	Holdings	Eliminations	Total
Current Assets				
Cash and cash equivalents	$ 1,338,900	$ (1,313)	$ -	$ 1,337,587
Short-term investments	223,729	-	-	223,729
Assets limited as to use – current	304,974	-	-	304,974
Patient accounts receivable	2,849,092	-	-	2,849,092
Grants and other receivables	2,469,763	-	(152,007)	2,317,756
Due from affiliates and other related parties	184,626	1,708	(186,334)	-
Estimated amounts due from third-party payors	5,183,381	-	-	5,183,381
Supplies and pharmacy inventory	43,486	-	-	43,486
Prepaid expenses and other	373,737	15,566	-	389,303
Total current assets	12,971,688	15,961	(338,341)	12,649,308
Assets Limited As To Use				
Internally designated	104,010	-	-	104,010
Held by trustee	304,974	-	-	304,974
	408,984	-	-	408,984
Less amount required to meet current obligations	304,974	-	-	304,974
	104,010	-	-	104,010
Property and Equipment, At Cost				
Land	998,697	833,834	-	1,832,531
Buildings and leasehold improvements	13,919,655	905,484	-	14,825,139
Equipment	4,865,882	-	-	4,865,882
Furniture and fixtures	1,394,517	-	-	1,394,517
Construction in progress	759,904	-	-	759,904
	21,938,655	1,739,318	-	23,677,973
Less accumulated depreciation	11,741,922	62,663	-	11,804,585
	10,196,733	1,676,655	-	11,873,388
Other Assets	12,100	-	-	12,100
Total assets	$ 23,284,531	$ 1,692,616	$ (338,341)	$ 24,638,806

Christ Community Health Services, Inc.
Consolidating Schedule – Balance Sheet Information
June 30, 2022

Liabilities and Net Assets

	Christ Community	Holdings	Eliminations	Total
Current Liabilities				
Notes payable to bank	$ 931,763	$ -	$ -	$ 931,763
Current maturities of long-term debt	58,442	174,176	(174,176)	58,442
Accounts payable	2,366,046	167,131	(164,165)	2,369,012
Accrued expenses	3,210,041	-	-	3,210,041
Payables to affiliates and other related parties		-	-	-
Accrued rent expense – current	19,235	-	-	19,235
Deferred revenue	-	-	-	-
Total current liabilities	6,585,527	341,307	(338,341)	6,588,493
Note Payable to Bank	-	-	-	-
Accrued Rent Expense	177,126	-	-	177,126
Long-Term Debt	1,013,056	-	-	1,013,056
Total liabilities	7,775,709	341,307	(338,341)	7,778,675
Net Assets				
Without donor restrictions	14,760,103	1,351,309	-	16,111,412
With donor restrictions	748,719	-	-	748,719
Total net assets	15,508,822	1,351,309	-	16,860,131
Total liabilities and net assets	$ 23,284,531	$ 1,692,616	$ (338,341)	$ 24,638,806

Christ Community Health Services, Inc.

Consolidating Schedule – Statement of Operations Information

Year Ended June 30, 2022

	Christ Community	Holdings	Eliminations	Total
Revenues, Gains, and Other Support Without Donor Restrictions				
Patient service revenue	$ 36,279,629	$ -	$ -	$ 36,279,629
Grant revenue	20,931,734	-	-	20,931,734
Contributions of cash and other financial assets	864,173	-	-	864,173
Contributions of nonfinancial assets	71,097	-	-	71,097
Other	545,960	35,834	(10,451)	571,343
Net assets released from restrictions used for operations	321,771	-	-	321,771
Total revenues, gains, and other support without donor restrictions	59,014,364	35,834	(10,451)	59,039,747
Expenses and Losses				
Salaries and wages	30,793,783	-	-	30,793,783
Employee benefits	5,411,440	-	-	5,411,440
Purchased services and professional fees	7,434,432	-	-	7,434,432
Supplies and other	12,794,590	209,665	-	13,004,255
Rent	624,888	-	-	624,888
Depreciation	857,792	37,598	-	895,390
Interest	97,815	10,451	(10,451)	97,815
Total expenses and losses	58,014,740	257,714	(10,451)	58,262,003
Operating Income (Loss)	999,624	(221,880)	-	777,744
Other Income				
Investment return, net	(9,968)	-	-	(9,968)
Gain on extinguishment of debt	2,542,452	-	-	2,542,452
Total other income	2,532,484	-	-	2,532,484
Excess (Deficiency) of Revenues Over Expenses and Increase (Decrease) in Net Assets Without Donor Restrictions	$ 3,532,108	$ (221,880)	$ -	$ 3,310,228

Christ Community Health Services, Inc.
Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
U.S. Department of Health and Human Services/ Health Center Program/Consolidated Health Centers/Health Center Program Cluster	93.224	N/A	$ -	$ 2,246,986
U.S. Department of Health and Human Services/ Grants for New and Expanded Services under the Health Center Program/Health Center Program Cluster	93.527	N/A	-	4,842,761
U.S. Department of Health and Human Services/ Health Center Program/COVID-19 – Consolidated Health Centers/Health Center Program Cluster	93.224	N/A	-	8,552,885
Total Health Center Program Cluster			-	15,642,632
U.S. Department of Health and Human Services/ State of Tennessee Department of Health/ HIV Care Formula Grants	93.917	GR-18-55937-06	-	164,299
U.S. Department of Health and Human Services/ State of Tennessee Department of Health/ COVID-19 – HIV Care Formula Grants	93.917	GR-18-55937-06	-	17,366
Total HIV Care Formula Grants			-	181,665
U.S. Department of Health and Human Services/ Shelby County Government/HIV Emergency Relief Project Grants	93.914	None	-	800,355
U.S. Department of Health and Human Services/ Shelby County Government/COVID-19 – HIV Emergency Relief Project Grants	93.914	None	-	13,200
Total HIV Emergency Relief Project Grants			-	813,555
Total forward			-	16,637,852

Christ Community Health Services, Inc.
Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
Total forward			$ -	$ 16,637,852
U.S. Department of Health and Human Services/ COVID-19 – HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund	93.461	N/A	-	65,196
U.S. Department of Health and Human Services/ COVID-19 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	N/A	-	591,586
U.S. Department of Health and Human Services/ Training in General, Pediatric, and Public Health Dentistry	93.059	N/A	-	549,551
Total federal awards			-	17,844,185
Tennessee Department of Health/Health Care Safety Net Primary Care Services to Uninsured Adult Tennesseans 19–64 Years of Age	N/A	None	-	2,096,699
Total state awards			-	2,096,699
Total federal and state awards			$ -	$ 19,940,884

Christ Community Health Services, Inc.

Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2022

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (the "Schedule") includes the federal and state award activity of Christ Community Health Services, Inc. under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Tennessee Audit Manual. Because the Schedule presents only a selected portion of the operations of Christ Community Health Services, Inc., it is not intended to and does not present the financial position, results of operations, changes in net assets, or cash flows of Christ Community Health Services, Inc.

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 and the State of Tennessee Audit Manual wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rate

Christ Community Health Services, Inc. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Federal Loan Programs

Christ Community Health Services, Inc. did not have any federal loan programs for the year ended June 30, 2022.

Note 5: Personal Protective Equipment (PPE) (Unaudited)

Christ Community Health Services, Inc. did not receive any donated PPE from a federal source during the year ended June 30, 2022.

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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*

Independent Auditor's Report

Board of Directors
Christ Community Health Services, Inc.
Memphis, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Christ Community Health Services, Inc. (the "Organization"), which comprise the balance sheet as of June 30, 2022, and the related statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 20, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 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*.

Christ Community Health Services, Inc.'s Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the finding 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 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.

FORVIS, LLP

Springfield, Missouri
April 20, 2023

FORVIS

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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Directors
Christ Community Health Services, Inc.
Memphis, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, Christ Community Health Services, Inc. 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of Christ Community Health Services, Inc., 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 Christ Community Health Services, Inc.'s compliance with the compliance requirements referred to above.

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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 Christ Community Health Services, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Christ Community Health Services, Inc.'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 Christ Community Health Services, Inc.'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 Christ Community Health Services, Inc.'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 Christ Community Health Services, Inc.'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 Christ Community Health Services, Inc.'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

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Christ Community Health Services, Inc.'s response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. Christ Community Health Services, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. Christ Community Health Services, Inc. is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. Christ Community Health Services, Inc.'s corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.

FORVIS, LLP

Springfield, Missouri
April 20, 2023

Christ Community Health Services, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I – Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. Internal control over financial reporting:

Significant deficiency(ies) identified?	☐ Yes	☒ None reported
Material weakness(es) identified?	☒ Yes	☐ No

3. Noncompliance material to the financial statements noted? ☐ Yes ☒ No

Federal Awards

4. Internal control over major federal awards programs:

Significant deficiency(ies) identified?	☒ Yes	☐ None reported
Material weakness(es) identified?	☐ Yes	☒ No

5. Type of auditor's report issued on compliance for major federal award programs:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? ☒ Yes ☐ No

Christ Community Health Services, Inc.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

7. Identification of major federal programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
93.224 and 93.527	Health Center Program
93.498	Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

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

9. Auditee qualified as a low-risk auditee? ☐ Yes ☒ No

Christ Community Health Services, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section II – Financial Statement Findings

Reference Number	Finding
2022-001	Criteria – Management is responsible for preparing financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) and establishing and maintaining effective internal control over financial reporting. Condition – Certain balance sheet reconciliations were not prepared and reviewed timely. There is no formal approval maintained of journal entries prepared by the Controller. Management continued to provide adjusting journal entries in the months subsequent to the June 30, 2022, balance sheet date. There were also adjustments proposed during the audit in order to present the Organization's financial statements in conformity with GAAP. Cause – The Organization did not identify certain necessary adjustments to present the financial statements in accordance with GAAP or identify the needed adjustments on a timely basis. Effect or Potential Effect– Adjusting and reclassifying journal entries were given to the auditors or proposed by the auditors throughout the subsequent period, thus management and governance did not have materially correct financial statements in a timely manner after year-end. Recommendation – Management should modify monthly and year-end closing procedures to ensure sufficient controls are in place to assure financial statements are prepared in accordance with GAAP. Views of Responsible Officials and Planned Corrective Actions - Management is currently working on improvements to the monthly and year-end closing procedures to ensure the financial statements are prepared in accordance with GAAP. Improvements include: • Policies and procedures will be updated to allow the Deputy Controller and/or Accounting Managers to review reconciliations and to review, approve, and post journal entries in addition to the Controller; • All required account reconciliations will be prepared and reviewed monthly; • Training and expectations will be provided to the team in regards to preparing reconciliations; • Journal entries will be stamped by the approver and saved in the designated folders on the shared drive as evidence of review and approval; • Year-end closing schedule and check list will be updated to ensure all year-end entries are completed in a timely fashion; • Inefficiencies in antiquated accounting systems have been noted and the department is looking to upgrade in FY 2024; and • Additional staff has been added to the health center finance department. The CFO, Talia Peterson, is responsible for this corrective action plan. Implementation of the above items began August 2022 and is expected to be completed by July 2023.

Christ Community Health Services, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
2022-002	Health Center Program Cluster – Assistance Listing Nos. 93.224 and 93.527 U.S. Department of Health and Human Services Award No. 6 H80CS00881-20 and 1 H8FCS41120-01 Program Year 2022

Criteria or Specific Requirement – Procurement – 45 CFR 75.329

Condition – The Organization did not maintain documentation supporting procurement requirements for the purchase of goods or services charged to federal awards.

Questioned cost – None

Context – Documentation was not originally maintained by the Organization to support that proper procurement procedures in accordance with the Organization's policy were followed related to vendor selection. Documentation was later compiled in response to audit inquiries.

Effect – The Organization did not have documentation supporting the procurement activities completed.

Cause – The Organization was not properly following the documentation requirements of their federal procurement policy.

Identification as a repeat finding, if applicable – Not a repeat finding.

Recommendation – The Organization should review its procurement policy and ensure proper staff education on the policy is established. In addition, the Organization should review the policy on an annual basis to ensure it is consistent with Uniform Guidance.

Views of Responsible Officials and Planned Corrective Actions –

- Vice President of Support Services was hired to lead the procurement process.
- The Procurement Department implemented the use of bids, as they foster competition whenever feasible. All procurement is conducted in a competitive manner with open access to acceptable suppliers.
- The VP of Support Services oversees the procurement policy and will ensure future adherence.

The CFO, Talia Peterson, and VP of Support Services, Susan Banning, are responsible for this corrective action plan. Implementation of the above items have already begun and will be completed by August 2023.

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

Reference Number	Summary of Finding	Status
2021-001	Criteria – Management is responsible for preparing financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) and establishing and maintaining effective internal control over financial reporting. Condition – Balance sheet reconciliations were not prepared and reviewed regularly. There is no formal approval of journal entries prepared by the Controller. Management continued to provide adjusting journal entries for over one year past the June 30, 2021, balance sheet date in order to present the Organization's financial statements in conformity with GAAP. Cause – The Organization did not identify certain necessary adjustments in a timely manner required to present the financial statements in accordance with GAAP or identify the needed adjustments on a timely basis due to the following: • Month-end account reconciliations were not prepared and/or reviewed • Month-end accounting policies and procedures in place were not consistently followed Effect or Potential Effect– Adjusting and reclassifying journal entries were given to the auditors throughout the subsequent period, thus management and governance did not have materially correct financial statements in a timely manner after year-end.	Unresolved. See Finding 2022-001.

Christ Community Health Services, Inc.

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2022

Reference Number	Summary of Finding	Status
2021-001 (Continued)	Reason for Recurrence and Status of Corrective Action Planned – • COVID/Virtual Environment necessitated a change in documenting the approval of journal entries. We tried various methods, including emailing approvals and logging approvals, to identify the best approach. However, these both had flaws, emails were not kept 100% of the time and logging was time consuming; • Consistent turnover delayed progress in completing reconciliations and other required accounting duties; and • Competing priorities and catch up limited time and other resources. See status of correction action included as part of the correction action plan for finding 2022-001.	

Christ Community Health Services, Inc.

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2022

Reference Number	Summary of Finding	Status
2020-001	Criteria or Specific Requirement – Management is responsible for preparing financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) and establishing and maintaining effective internal control over financial reporting. Condition – Balance sheet reconciliations were not prepared and reviewed regularly. There is no formal approval of journal entries prepared by the Controller. Management continued to provide adjusting journal entries for over one year past the June 30, 2020, balance sheet date in order to present the Organization's financial statements in conformity with GAAP. Effect – Adjusting and reclassifying journal entries were given to the auditors throughout the subsequent period, thus management and governance did not have materially correct financial statements in a timely manner after year-end. Cause – The Organization did not identify certain necessary adjustments in a timely manner required to present the financial statements in accordance with GAAP or identify the needed adjustments on a timely basis due to the following: • All month-end account reconciliations were not prepared and/or reviewed • Month-end accounting policies and procedures in place were not consistently followed	Unresolved. See Finding 2022-001.

Christ Community Health Services, Inc.

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2022

Reference Number	Summary of Finding	Status
2020-001 (Continued)	Reason for Recurrence and Status of Corrective Action Planned – • COVID/Virtual Environment necessitated a change in documenting the approval of journal entries. We tried various methods, including emailing approvals and logging approvals, to identify the best approach. However, these both had flaws, emails were not kept 100% of the time and logging was time consuming; • Consistent turnover delayed progress in completing reconciliations and other required accounting duties; and • Competing priorities and catch up limited time and other resources. See status of correction action included as part of the correction action plan for finding 2022-001.	