

Outreach Community Health Centers, Inc.

Financial Statements

Year Ended December 31, 2021

A large, abstract, light gray geometric shape composed of several triangular and quadrilateral facets, resembling a stylized mountain or a modern architectural structure, located in the bottom left corner of the page.

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Outreach Community Health Centers, Inc.

Year Ended December 31, 2021

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Independent Auditor's Report

Board of Directors
Outreach Community Health Centers, Inc.
Milwaukee, Wisconsin

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Outreach Community Health Centers, Inc. (the "Organization"), a nonprofit organization, which comprise the statement of financial position as of December 31, 2021, and the related statement of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Outreach Community Health Centers, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audit 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 of America. *Government Auditing Standards* Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Outreach Community Health Centers, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Outreach Community Health Centers, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Outreach Community Health Centers, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information appearing on pages 28 - 35, which includes the schedule of expenditures of federal, state and other awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *State Single Audit Guidelines* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all materiality respects in relation to the financial statements as a whole.

Wipfli LLP

Wipfli LLP

Milwaukee, Wisconsin

May 30, 2023

Outreach Community Health Centers, Inc.

Statements of Financial Position

December 31, 2021

Assets	
Current assets:	
Cash and cash equivalents	\$ 3,683,657
Receivables:	
Grants and contracts receivable	1,346,352
Patient accounts receivable - Net	517,871
Amounts due from third-party reimbursement programs, current portion	1,886,149
Inventories	93,575
Prepaid expenses	66,484
Total current assets	7,594,088
Assets limited as to use - Client trust accounts	227,094
Property and equipment - Net	5,657,105
Other assets:	
Amounts due from third-party reimbursement programs, net of current portion	1,893,278
Unemployment reserve	161,819
Investments	6,407,758
Total other assets	8,462,855
TOTAL ASSETS	\$ 21,941,142

Outreach Community Health Centers, Inc.

Statements of Financial Position (Continued)

December 31, 2021

Liabilities and Net Assets	
Current liabilities:	
Accounts payable	\$ 419,410
Accrued salaries	345,708
Accrued payroll taxes and other	31,054
Accrued vacation	381,504
Other accrued expenses	43,006
Refundable advances	196,472
Current portion of mortgages payable	115,711
Total current liabilities	1,532,865
Long-term liabilities:	
Client trust payable	227,094
Mortgages payable, less current portion - Net	3,214,289
Total long-term liabilities	3,441,383
Total liabilities	4,974,248
Net assets:	
Without donor restrictions	16,776,658
With donor restrictions	190,236
Total net assets	16,966,894
TOTAL LIABILITIES AND NET ASSETS	\$ 21,941,142

See accompanying notes to financial statements.

Outreach Community Health Centers, Inc.

Statements of Activities

Year Ended December 31, 2021

Without Donor Restrictions

Public support:	
Government grants	\$ 8,622,841
Contributions and private grants	369,555
Total public support	8,992,396
Revenue:	
Patient services revenue	11,146,945
Pharmacy revenue	7,543,593
Rental income	262,553
Interest income	26,923
Total revenue	18,980,014
Total public support and revenue	27,972,410
Expenses:	
Program services	18,109,675
Management and general	3,081,548
Total expenses	21,191,223
Change in net assets without donor restrictions	6,781,187

With Donor Restrictions

Public support:	
Contributions and private grants	184,736
Change in net assets with donor restrictions	184,736
Change in net assets	6,965,923
Net assets at beginning of year	10,000,971
Net assets at end of year	\$ 16,966,894

See accompanying notes to financial statements.

Outreach Community Health Centers, Inc.

Statements of Functional Expenses

Year Ended December 31, 2021

	Program Services	Management and General	Total
Salaries and wages	\$ 10,390,101	\$ 1,390,504	\$ 11,780,605
Occupancy	200,587	631,420	832,007
Security	4,877	7,957	12,834
Professional fees	506,619	461,579	968,198
Advertising and promotion	26,801	121,963	148,764
Conferences, seminars and meetings	156,537	15,566	172,103
Depreciation	208,676	22,241	230,917
Membership dues	-	42,850	42,850
Insurance	2,758	95,834	98,592
Bank fees	221	24,730	24,951
Miscellaneous expense	80,427	20,456	100,883
Medical and office supplies	96,510	24,216	120,726
Pharmacy cost of goods sold	4,836,252	-	4,836,252
Dental subcontractor	495,981	-	495,981
Subcontractors	189,704	-	189,704
Direct client assistance	708,117	-	708,117
Repairs and maintenance	102,512	167,605	270,117
Telephone	102,995	54,627	157,622
Total expenses	\$ 18,109,675	\$ 3,081,548	\$ 21,191,223

See accompanying notes to financial statements.

Outreach Community Health Centers, Inc.

Statements of Cash Flows

Year Ended December 31, 2021

Cash Flows From Operating Activities

Change in net assets	\$ 6,965,923
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	230,917
Changes in operating assets and liabilities:	
Grants and contracts receivable	(889,281)
Patient accounts receivable - Net	499,665
Amounts due from third-party reimbursement programs, current portion	(3,636,368)
Inventories	(1,902)
Prepaid expenses	12,641
Accounts payable	(51,388)
Accrued salaries	31,940
Accrued payroll taxes and other	(1,745)
Accrued vacation	(20,554)
Other accrued expenses	(86,525)
Refundable advances	(2,653,427)
Client trust payable	26,929

Net cash provided by operating activities	426,825
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Cash Flows From Investing Activities

Purchases of property and equipment	(1,092,565)
Purchases of investments -Net	(1,188,324)

Net cash used in investing activities	(2,280,889)
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Cash Flows From Financing Activities

Payments on mortgages payable	(180,400)
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Net (decrease) increase in cash, cash equivalents, and restricted cash	(2,034,464)
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Cash, cash equivalents, and restricted cash at beginning of year	6,107,034
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Cash, cash equivalents, and restricted cash at end of year	\$ 4,072,570
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Outreach Community Health Centers, Inc.

Statements of Cash Flows (Continued)

Year Ended December 31, 2021

Reconciliation of Cash, Cash Equivalents, and Restricted Cash to the Statements of Financial Position

Cash and cash equivalents	\$	3,683,657
Assets limited as to use - Client trust accounts		227,094
Unemployment reserve		161,819

Total cash, cash equivalents and restricted cash	\$	4,072,570
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Supplemental Disclosures of Cash Flow Information

Cash paid for interest	\$	206,478
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Noncash Investing and Financing Activities

Purchases of property and equipment included in accounts payable	\$	99,805
Payment of loan financing fees with loan proceeds	\$	214,927

See accompanying notes to financial statements.

Outreach Community Health Centers, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Activities

Outreach Community Health Centers, Inc. (the Organization), is a not-for-profit corporation and provides health care services for homeless individuals in the Milwaukee, Wisconsin area. The Organization is supported primarily through government funding and program fees from Medicare and Medicaid.

The Organization directly provides or subcontracts for services involving medical, dental, mental health, substance abuse, emergency housing, crisis intervention, prenatal care coordination, case management and protective payee, outreach and advocacy. The Organization also provides HIV/AIDS prevention, testing, counseling and residential services.

Basis of Presentation

The financial statements of Organization have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Net Assets

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions: Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Use of Estimates

The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Outreach Community Health Centers, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Accounts Receivable and Credit Policy

Patient accounts receivable are reported at the amount that reflects the consideration with the Organization expects to be entitled in exchange for providing patient care services. Patient accounts receivable are recorded in the accompanying statements of financial position net of contractual adjustments and implicit price concessions, which reflects management's estimate of the transaction price. The Organization estimates the transaction price based on negotiated contractual agreements, historical experience, and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions and is recorded through a reduction of gross revenue and a credit to patient accounts receivable. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of change. The Organization does not have a policy to charge interest on past due accounts.

Contract Assets and Contract Liabilities

Contract assets arise when the Organization transfers goods or services to a customer in advance of receiving consideration and the right to consideration is conditioned on something other than the passage of time, such as work in process or unbilled receivables. Contract assets are transferred to receivables when the right to receive consideration becomes unconditional and the Organization is able to invoice the customer. Contract liabilities represent the Organization's obligation to transfer goods or services to a customer when consideration has already been received from the customer, such as deferred revenue. When transfer of control of the related good or service occurs, contract liabilities are reclassified, and revenue is recognized. As of December 31, 2021 and January 1, 2021, the Organization did not have any contract assets or contract liabilities.

Inventories

Inventories consist of pharmaceutical supplies and are valued at the lower of cost, determined on the first-in, first-out (FIFO) method, or net realizable value.

Client Trust Accounts

The Organization has a fiduciary responsibility for the clients' personal funds. Although the bank account is in the name of the Organization, the cash is the property of the clients. Accordingly, the balance at December 31, 2021, of \$227,094 has been recorded in the accompanying statements of financial position as an asset and a liability.

Property and Equipment

Property and equipment acquisitions are recorded at cost or, if donated, at fair value at the date of donation. Property and equipment are items with a cost of \$1,000 or more and a useful life of more than one year. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter of the period of the lease term or the estimated useful life of the equipment. Such amortization is included with depreciation expense in the accompanying financial statements.

Outreach Community Health Centers, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

Estimated useful lives of property and equipment are as follows:

	Useful Lives
Building and improvements	5 to 39 years
Equipment	3 to 7 years
Vehicles	5 years
Medical equipment	5 years
Computer equipment and software	3 to 5 years

Property and equipment acquired with grant funds are owned by the Organization while used in the programs for which it was purchased or in other future authorized programs. However, the funding source has a reversionary interest in assets purchased with grant funds. Their disposition, as well as the ownership of any proceeds there from, is subject to funding source regulations. The original cost of grant funded property and equipment at December 31, 2021.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. During the years ended December 31, 2021 the Organization determined that no evaluations of recoverability were necessary.

Unemployment Reserve

The Organization has elected reimbursement financing under provisions of the Wisconsin unemployment compensation laws. Unemployment claims are paid to the State of Wisconsin as incurred. The Organization has an unemployment reserve established with an area financial institution of \$161,819 at December 31, 2021 to meet state funding requirements.

Investments

Investments consist of certificates of deposit that are carried at cost which approximates fair value. The certificates of deposit value is based on amortized cost or original cost plus accrued interest.

Outreach Community Health Centers, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Grant Revenue

Grant revenue represents grants and contracts with the various federal, state, and local funding sources. In general, grant revenue is recognized under the following methods:

- *Cost reimbursement contracts* are reimbursed based on expenses incurred. The revenue is recognized in the accounting period when the expenses are incurred.
- *Performance contracts* are reimbursed based on accomplishment of contract objectives without regard for expenditures. Performance revenue is recognized in the accounting period when the contracted services have been performed.

Contribution Revenue

Contributions, including promises to give and private grants, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Assets received for which the condition has not been satisfied are recorded as a refundable advance liability. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Gifts of long-lived assets such as land, buildings, or equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Outreach Community Health Centers, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Contribution Revenue (Continued)

Donated services are recognized as contributions, at the donor's estimated fair value, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

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 obligation are determined based on the nature of the services provided. For revenue from services provided to patients of the Organization, the performance obligation is satisfied as the patient simultaneously receives and consumes the benefits provided as the patient care services are performed. In the case of these services, recognition of the obligation over time yields the same result as recognizing the obligation at a point in time. 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.

The Organization determines the transaction price, which involves significant estimates and judgment, 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 policy, and implicit price concessions provided to patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience for each patient portfolio based on payor class and service type.

The Organization has agreements with third-party payors that provided for reimbursement at amounts which vary from its established rates. A summary of the basis of payment arrangements with major third-party payors follows:

Medicare

The Organization qualifies for the Medicare Federally Qualified Health Center ("FQHC") program and is reimbursed using a prospective payment system ("PPS") under which FQHCs are paid 80% of the lesser of charges based on FQHC payment codes or the PPS rate, a national encounter-based rate with geographic and other adjustments. The FQHC PPS base rate is updated annually based on the Centers for Medicare and Medicaid Services (CMS) FQHC market basket index.

Outreach Community Health Centers, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Service Revenue (Continued)

Medicaid

Federal law requires states to pay Medicaid FQHC services (on a per encounter basis) under a PPS or approved alternative payment methodology ("APM"). The State of Wisconsin Department of Health Services reimburses FQHCs under a PPS methodology with rates increased annually based on the MEI, adjusted for any changes in scope or service.

The Organization contracts with a number of Medicaid Health Maintenance Organizations ("HMO") that pay based on established fee schedules. This amount is generally significantly less than the PPS rate. Federal law requires the State of Wisconsin to reimburse the Organization the difference between the HMO-established fee schedule and the final PPS rate.

Other

The Organization has also entered into payment agreements with certain commercial insurance carriers, health maintenance organization, and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per procedure and discounts from established charges.

Laws and Regulations

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. Because of investigations by governmental agencies, various healthcare 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 on the Organization.

The Centers for Medicare and Medicaid Services ("CMS") use recovery audit contractors ("RAC"s) to search for potentially inaccurate Medicare payments that may have been made to health care providers and that were not detected through existing CMS program integrity efforts. Once the RAC identifies a claim it believes is inaccurate, the RAC makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The Organization has not been notified by the RAC of any potential significant reimbursement adjustments. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Outreach Community Health Centers, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Service Revenue (Continued)

Accounting for Contractual Arrangements

Settlements with third-party payors for retroactive adjustments resulting from audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved.

Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available) or as years are settled or are no longer subject to such audits, reviews, and investigations.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients, and offers those uninsured patients a 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 and discounts. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Consistent with the Organization's mission, healthcare 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. 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.

The promised amount of consideration from patients and third-party payors have not been adjusted for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Organization does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Outreach Community Health Centers, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Uncompensated Care

The Organization provides care to patients who meet certain criteria under its sliding-fee schedule without charge or at amounts less than its established rates. The amount that charges are discounted from established rates under the sliding-fee schedule is based on income and household size. Because the Organization provides services at a discounted fee and does not pursue collection of amounts, these discounts are considered charity care and not reported as revenue.

The estimated cost of providing care to patients under the Organization's sliding-fee schedule is calculated by multiplying the Organization's ratio of cost to gross charges by the gross uncompensated charges associated with providing care to patients under the sliding-fee schedule.

Pharmacy Revenue

Section 340b of the Public Health Service Act requires pharmaceutical manufacturers participating in the Medicaid program to sell outpatient drugs at discounted prices to healthcare organizations that care for many uninsured and low-income patients. The Organization participates in the 340b program and has elected to dispense covered drugs to patients through contracts with retail pharmacies. Revenue is reported in the accompanying statement of activities at the amount of consideration the Organization expects to receive from contract pharmacies from the sale of covered drugs to patients. Revenue is recognized at the point in time the performance obligation of dispensing covered drugs to patients is satisfied by the contract pharmacies. The transaction price is based on standard charges for the covered drugs, reduced by any contractual adjustments and the discounted price of the covered drugs. 340b pharmacy receivables is included in patient accounts receivable in the accompanying statements of financial position consist of consideration collected by contract pharmacies, net of the cost of covered drugs and dispensing fees earned by the contract pharmacies

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses that can be identified with a specific program are charged directly according to their natural expenditure classification. Certain costs related to more than one function have been allocated among the programs and supporting services benefited on the basis of periodic time studies and full time equivalents. Management and general expenses are reported under supporting services and include those expenses that are not directly identifiable with any other specific function but provide overall support for the Organization. The Organization does not conduct any fundraising activities.

Income Taxes

The Organization is a tax-exempt corporation as described in Section 501(c)(3) of the Internal Revenue Code ("Code") and is exempt from federal income taxes on related income pursuant to Section 509(a)(2) of the code. The Organization is also exempt from state income taxes on related income.

Outreach Community Health Centers, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

The Organization recognizes the benefit of a tax position only after determining whether it is more likely than not that the taxing authority would sustain the tax position upon examination of the technical merits of the tax position assuming the taxing authority has full knowledge of all information. The Organization has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Recent Accounting Pronouncements

Leases

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02, including various amendments, updates, and clarifications, will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. ASU No. 2016-02 must be applied on a modified retrospective basis. The Organization is evaluating the impact of the provisions of ASU No. 2016-02.

Contributed Nonfinancial Assets

In 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is intended to improve transparency in reporting contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. ASU No. 2020-07 will require not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and disclose:

1. A disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets.
2. For each category of contributed nonfinancial assets recognized:
 - a. Qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a not-for-profit entity will disclose a description of the programs or other activities in which those nonfinancial assets were used.
 - b. The not-for-profit entity's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets.
 - c. A description of any donor-imposed restrictions associated with the contributed nonfinancial assets.
 - d. A description of the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, *Fair Value Measurement*, at initial recognition.
 - e. The principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient not-for-profit entity is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

ASU No. 2020-07 is effective for fiscal years beginning after June 15, 2021, with early adoption permitted. ASU No. 2020-07 must be applied retrospectively. The Organization is evaluating the impact of the provisions of ASU No. 2020-07.

Outreach Community Health Centers, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events have evaluated through May 30, 2023, which is the date the financial statements were available to be issued.

Subsequent to year end the Organization began construction on an expansion to the organization's existing facilities. The Organization has signed a contract for construction in the amount of approximately \$15,800,000. Total additional draws on the Organizations construction debt was approximately \$1,481,000 as of April 13, 2023.

Note 2: Grants and Contract Receivables

Grants and contract receivables consist of the following:

<i>As of December 31,</i>	2021
U.S. Department of Housing and Urban Development	\$ 16,019
State of Wisconsin Department of Health Services:	
Community Health Center	152,201
Community Living Support Services - Project for Assistance in Transition from Homelessness (PATH)	77,608
Mental health Block Grant (SOAR)	19,175
Milwaukee County Department of Health and Human Services:	
Emergency Solutions Grant - COVID-19	25,836
Emergency Solutions Grant - Housing	322,536
Outpatient Treatment Program	42,186
Other	2,775
City of Milwaukee Development Grants Administration:	
Emergency Solutions Program	111,649
Emergency Solutions Program - Covid	152,233
Rapid Re-housing ESG	11,399
U.S. Department of Health and Human Services	
Health Center Cluster	271,607
American Rescue Act	122,941
Other	18,187
Total grants and contracts receivable	\$ 1,346,352

Outreach Community Health Centers, Inc.

Notes to Financial Statements

Note 3: Patient Accounts Receivable - Net

Patient accounts receivable - net consists of the following:

<i>As of December 31,</i>	2021
Patient accounts receivable	\$ 1,284,778
Less - Contractual adjustments, discounts, and implicit price concessions	(766,907)
Patient accounts receivable - Net	\$ 517,871

Due to low collection rates on self-pay accounts receivable, the self-pay accounts receivable balances of \$139,015 were reduced by discounts and implicit price concessions of \$132,220 at December 31, 2021. The Organization has not changed its uncompensated care policy during fiscal 2021.

Note 4: Property and Equipment

A summary of property and equipment is as follows:

<i>As of December 31,</i>	2021
Land	\$ 270,200
Buildings and improvements	6,637,115
Equipment	603,119
Vehicles	187,034
Medical equipment	47,682
Computer equipment and software	292,921
Construction in progress	911,791
Total property and equipment	8,949,862
Less - Accumulated depreciation	(3,292,757)
Property and equipment - Net	\$ 5,657,105

Construction in progress consists of facilities expansion. The cost of the project is approximately \$15,800,000 to be incurred over the next several years.

Outreach Community Health Centers, Inc.

Notes to Financial Statements

Note 5: Refundable Advances

Refundable advances consisted of the following:

<i>As of December 31,</i>	2021
Milwaukee Healthcare Partnership	\$ 156,000
Other	40,472
Total refundable advances	\$ 196,472

Note 6: Mortgages Payable

Mortgages payable consists of the following:

<i>As of December 31,</i>	2021
Mortgage payable in 59 monthly installments beginning on January 1, 2022 of \$19,926 including interest at 3.800% and maturing December 1, 2026. One final payment of all unpaid principal and interest will be made upon maturity. Collateral includes a lien on specific property, assignment of rents and a security interest in all business assets.	\$ 3,330,000
Revenue Bonds, Series 2021 in the amount of \$10,837,617 at 2.760% dated December 9, 2021 to be disbursed to finance the acquisition of land, construction, equipment for the facility and renovation of a existing facility and payment of certain professional fees and cost issuance. The bond matures on December 1, 2051. Payments of interest will be made commencing on January 1, 2022 through December 1, 2023. Commencing on January 1, 2024, payments of principal and interest will be paid in the amount of \$50,275 through maturity or repayment of the bond. The bond is subject to specific loan covenants and is secured by specific property.	214,927
Total mortgages payable	3,544,927
Less - Capitalized loan fees	(214,927)
Less - Current maturities	(115,711)
Long-term portion of mortgages payable	\$ 3,214,289

Outreach Community Health Centers, Inc.

Notes to Financial Statements

Note 6: Mortgages Payable (Continued)

Scheduled principal payments on long-term debt at December 31, 2021, including current maturities, are as follows:

<i>Years Ending December 31,</i>	
2022	\$ 115,711
2023	117,336
2024	336,530
2025	126,706
2026	2,848,644
Total	\$ 3,544,927

The Organization is subject to certain restrictions and covenants relating to their debt.

Interest expense on the mortgages totaled \$206,478 for the years ended December 31, 2021.

Note 7: Line of Credit

The Organization maintains a line of credit with a local financial institution in the amount of \$200,000 which bears interest on outstanding balances at the greater of 4.00% or the Bank First Prime rate (effective rate of 4.00% at December 31, 2021). The line of credit agreement matures on December 1, 2022. The line of credit is collateralized by an investment security agreement in all business assets of the Organization. As of December 31, 2021, there were no outstanding draws on the line of credit.

Note 8: Net Assets with Donor Restriction

Net assets with donor restrictions are restricted for the following purposes or periods:

<i>As of December 31,</i>	2021
Purpose restrictions:	
Greater Milwaukee	\$ 49,913
Kohls Foundation	21,684
United Way	60,013
Other	58,626
Total net assets with donor restrictions	\$ 190,236

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

Outreach Community Health Centers, Inc.

Notes to Financial Statements

Note 9: Liquidity and Availability of Financial Resources

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

<i>As of December 31,</i>	2021
Cash and cash equivalents	\$ 3,683,657
Grants and contracts receivable	1,346,352
Patient accounts receivable - Net	517,871
Amounts due from third-party reimbursement programs	1,886,149
Total financial assets available for expenditure within twelve months of the statement of financial position date	7,434,029
Less - Refundable advances	(196,472)
Less - Amounts restricted by donors for specified purposes	(190,236)
Total financial assets available for general expenditure within twelve months of the statement of financial position date	\$ 7,047,321

As part of the Organization's liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. A majority of the Organization's grants are cost reimbursement awards and cash is received after the Organization incurs the expense. The Organization also has \$6,407,758 at December 31, 2021 in long-term investments, which can be liquidated and used for operations at any time subject to a minimal penalty. The Organization also has a line of credit which can be used to provide liquidity, see note 7 for details.

Note 10: Concentrations

Bank Deposits

The Organization maintains depository relationships with area financial institutions. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. At certain times during the year, cash balances may be in excess of FDIC coverage. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

Outreach Community Health Centers, Inc.

Notes to Financial Statements

Note 10: Concentrations (Continued)

Receivables

The Organization grants credit without collateral to its patients, most of whom are local residents and are insured under third party payor agreements. The mix of receivables from patients and third-party payors was as follows:

<i>As of December 31,</i>	2021
Medicaid	27 %
Medicare	23 %
Insurance and other	8 %
Private pay	16 %
Dental - various payors	26 %

Revenue

The Organization received approximately 17% of its funding from the U.S. Department of Health and Human Services either as pass through funding or direct health care grants for the years ended December 31, 2021. The Organization received approximately 37% of its funding from Medicaid for the years ended December 31, 2021. A significant reduction in the level of these funding sources could have an adverse effect on the Organization's programs and activities.

Note 11: Patient Service Revenue

Patient service revenue is comprised of the following:

<i>Year Ended December 31,</i>	2021
Medicaid	\$ 3,652,398
Medicaid settlement and adjustments	6,569,017
Medicare	643,309
Insurance, private pay and other	282,221
Patient service revenue - Net of contractual allowances, discounts, and implicit price concessions	<u>\$ 11,146,945</u>

Medicaid settlements and adjustments in the table above includes the Medicaid settlements for the years ended December 31, 2020 and 2021 which totaled \$3,439,465.

Outreach Community Health Centers, Inc.

Notes to Financial Statements

Note 11: Patient Service Revenue (Continued)

Pharmacy revenue is comprised of the following:

<i>December 31</i>	2021
Medicaid	\$ 3,565,400
Medicare	1,626,640
Insurance	1,874,081
Self pay	73,535
Other	404,119
Total	\$ 7,543,593

Revenue from contracts with customers totaled:

<i>Year Ended December 31,</i>	2021
Patient service revenue - Recognized over-time	\$ 11,193,752
Pharmacy revenue - Recognized point-in-time	7,543,593
Total	\$ 18,737,345

Note 12: Contingencies

Professional Liability Insurance

For professional liability insurance purposes, the Organization is deemed to be an employee of the federal government in accordance with Section 224(h) of the Public Health Service Act as amended by the Federally Supported Health Centers Assistance Act of 1995. Liability protection is provided under the Federal Tort Claims Act (FTCA) for the Organization and its employees when they are providing services within the scope of employment included under FQHC activities. The Organization maintains gap insurance for claims that are not covered under FTCA.

Laws and Regulations

The Organization is subject to legal proceedings and claims that arise in the ordinary course of business. Management is unaware of any pending or threatened actions.

The Organization's operations are concentrated in the healthcare industry. In addition, the Organization operates in a heavily regulated environment. The operations of the Organization are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies. Such administrative directives, rules, and regulations are subject to change. Such changes may occur with little notice or with inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Outreach Community Health Centers, Inc.

Notes to Financial Statements

Note 13: Retirement Plan

The Organization has a contributory defined contribution retirement plan. Eligibility for the plan covers those employees who attain age 21, complete one year of employment and work at least 1,000 hours annually. The Organization makes an annual contribution of 2% of eligible employees' annual wages. Total expense for the year ended December 31, 2021 was \$149,302.

Note 14: Lease Agreements and Rental Income

The Organization leases property to tenants under operating leases with terms expiring in various years through 2022. Rental income for the year ended December 31, 2021 was \$262,553. Future minimum rentals expected to be collected under leases as of December 31, 2021 are as follows:

<i>Years Ending December 31,</i>		
2022	\$	155,650
2023		158,053
2024		158,699
2025		159,366
2026		140,394
Thereafter		56,875
Total	\$	829,037

Information regarding property and equipment held for leasing activities is as follows:

<i>As of December 31,</i>	2021
Building and improvements	\$ 2,455,732
Less - Accumulated depreciation	(929,951)
Total property and equipment held for leasing activities	\$ 1,525,781

Note 15: Due from Third -Party Payors

Estimated net FQHC reimbursement (due) receivable at December 31, 2021:

<i>Year Ended December 31,</i>	2021
December 2021 Medicaid Wrap payments	\$ 339,962
2021 Medicaid Cost Report Settlement	1,893,278
2020 Medicaid Cost Report Settlement	1,546,187
Total	\$ 3,779,427

Outreach Community Health Centers, Inc.

Notes to Financial Statements

Note 16: Payroll Protection Program (PPP)

On April 22, 2020, the Organization entered into a promissory note agreement with a local financial institution in the amount of \$1,747,100. The loan was issued pursuant to the PPP administered by the Small Business Administration (SBA). Management has determined that the loan proceeds constitute a conditional contribution under ASU No. 2018-08 and final approval of the waiver of the loan from the SBA lender to be a significant barrier. During 2021, the SBA approved forgiveness of the PPP loan. Accordingly, the Organization recorded revenue in the amount of \$1,747,100 which is included in government grants on the statement of activities in the year ended December 31, 2021.

Supplementary Information

Outreach Community Health Centers, Inc.

Schedule of Revenue and Expenses by Program

Year Ended December 31, 2021

	City of Milwaukee	U.S. Department of Health and Human Services	U.S. Department of Housing and Urban Development	Milwaukee County CSP	Milwaukee County OPS	Milwaukee County TCM	Milwaukee County CCS	State of Wisconsin	Other Program and Supporting Activities	Total
Support and revenue:										
Government grants	\$ 809,920	\$ 3,940,576	\$ 131,170	\$ -	\$ 338,461	\$ -	\$ -	\$ 802,297	\$ 783,000	\$ 6,805,424
Paycheck protection program									1,817,417	1,817,417
Contributions and private grants	-	-	-	-	-	-	-	-	369,555	369,555
Patient services revenue	-	-	-	1,145,065	-	437,053	1,017,934	-	8,546,893	11,146,945
Pharmacy revenue	-	-	-	-	-	-	-	-	7,543,593	7,543,593
Rental income	-	-	-	-	-	-	-	-	262,553	262,553
Interest income	-	-	-	-	-	-	-	-	26,923	26,923
Total support and revenue	809,920	3,940,576	131,170	1,145,065	338,461	437,053	1,017,934	802,297	19,349,934	27,972,410
Expenses:										
Salaries and wages	256,795	4,323,120	183,683	1,166,163	304,597	596,337	541,502	945,212	1,347,796	9,665,205
Employee benefits	26,602	831,791	46,707	266,895	50,718	151,429	148,326	217,474	375,458	2,115,400
Professional fees and services	16,000	241,793	-	7,214	-	-	-	40,735	662,456	968,198
Security	307	1,020	281	2,265	-	1,178	1,280	921	5,582	12,834
Client supplies and assistance	541,904	6,652	77,416	17,725	-	222	500	26,059	37,639	708,117
Medical and office supplies	112	21,856	599	4,965	232	1,180	711	4,586	86,485	120,726
Staff development, training and travel	3,055	7,550	2,359	73,203	-	34,799	12,892	10,408	27,837	172,103
Occupancy	27,483	68,764	3,795	29,728	1,306	15,354	16,682	14,211	654,684	832,007
Equipment lease and maintenance	3,414	32,556	548	7,316	6,719	3,851	4,658	15,944	195,111	270,117
Telephone	871	29,419	3,109	14,514	3,126	8,456	8,892	14,132	75,103	157,622
Insurance	435	221	-	573	-	-	-	-	97,363	98,592
Cost of pharmacy and dental sales	-	-	-	811	-	186	-	-	4,835,255	4,836,252
Other	-	53,011	131	5,875	-	5,274	372	-	252,785	317,448
Depreciation	-	-	-	-	-	-	-	-	230,917	230,917
Subcontracting	-	-	-	-	-	-	-	-	189,704	189,704
Subcontracting dental	-	5,792	-	-	-	-	-	-	490,189	495,981
Total expenses	876,978	5,623,545	318,628	1,597,247	366,698	818,266	735,815	1,289,682	9,564,364	21,191,223
Change in net assets	\$ (67,058)	\$ (1,682,969)	\$ (187,458)	\$ (452,182)	\$ (28,237)	\$ (381,213)	\$ 282,119	\$ (487,385)	\$ 9,785,570	\$ 6,781,187

See independent auditor's report.

Outreach Community Health Centers, Inc.

Settlement of DHS Cost Reimbursement Award

Year Ended December 31, 2021

	MDFT YOUTH TREATMENT	RYAN WHITE PART B Supplmt	PATH	
	435.533184	435.155990	435.533601	
DHS identification number				
Award amount	\$ 125,333	\$ 199,811	\$ 258,876	\$ 258,876
Award period beginning	10/01/2020	10/01/2020	07/01/2021	07/01/2022
and ending	09/30/2021	09/30/2021	06/30/2021	06/30/2022
Award period within audit beginning	01/01/2021	01/01/2021	01/01/2021	07/01/2021
and ending	09/30/2021	09/30/2021	06/30/2021	12/31/2021
Expenditures reported to DHS for				
payment	\$ 108,061	\$ 74,379	\$ 93,060	\$ 73,423
Actual allowable cost of award:				
Program expenses:				
Salaries and wages	91,260	57,139	79,931	65,236
Payroll taxes and fringe benefits	16,801	7,729	6,514	4,991
Other	-	9,511	7,015	3,196
Total program expenses	108,061	74,379	93,460	73,423
Total allowable costs	\$ 108,061	\$ 74,379	\$ 93,460	\$ 73,423

See independent auditor's report.

Outreach Community Health Centers, Inc.

Settlement of DHS Cost Reimbursement Award (Continued)

Year Ended December 31, 2021

	IMMUNIZATION 2	IMM-SUPP FLU CHC COVID	COM HLTH CNTRS 250.15 2 B	
	435.150180	435.150182	435.151301	
DHS identification number				
Award amount	\$ 2,297	\$ 17,647	\$ 351,190	\$ 407,653
Award period beginning	07/01/2020	09/01/2020	07/01/2020	07/01/2021
and ending	06/30/2021	06/30/2021	06/30/2021	06/30/2022
Award period within audit beginning	01/01/2021	01/01/2021	01/01/2021	07/01/2021
and ending	06/30/2021	06/30/2021	06/30/2021	12/31/2021
Expenditures reported to DHS for payment	\$ 2,297	\$ 1,330	\$ 160,122	\$ 152,201
Actual allowable cost of award:				
Program expenses:				
Salaries and wages	-	-	116,930	100,614
Payroll taxes and fringe benefits	-	-	17,486	27,525
Other	2,297	1,330	25,706	24,062
Total program expenses	2,297	1,330	160,122	152,201
Total allowable costs	\$ 2,297	\$ 1,330	\$ 160,122	\$ 152,201

See independent auditor's report.

Outreach Community Health Centers, Inc.

Settlement of DHS Cost Reimbursement Award (Continued)

Year Ended December 31, 2021

	NON-OPIOD Pain Mgmt FQHC <u>435.150217</u>	NON-OPIOD Pain Mgmt FQHC <u>435.150217</u>	CMHSBG TRAINING <u>435.531275</u>	CMHSBG TRAINING <u>435.531275</u>
DHS identification number				
Award amount	\$ 100,000	\$ 100,000	\$ 53,133	\$ 53,133
Award period beginning	09/01/2020	09/01/2021	10/01/2020	10/01/2021
and ending	08/31/2021	08/31/2022	09/30/2021	09/30/2022
Award period within audit beginning	01/01/2021	09/01/2021	01/01/2021	10/01/2021
and ending	08/31/2021	12/31/2021	09/30/2021	12/31/2021
Expenditures reported to DHS for				
payment	\$ 30,230	\$ 68,436	\$ 24,946	\$ 15,142
Actual allowable cost of award:				
Program expenses:				
Salaries and wages	28,082	55,449	22,814	13,490
Payroll taxes and fringe benefits	2,148	4,242	1,998	1,032
Other	-	8,745	134	620
Total program expenses	30,230	68,436	24,946	15,142
Total allowable costs	\$ 30,230	\$ 68,436	\$ 24,946	\$ 15,142

See independent auditor's report.

Outreach Community Health Centers, Inc.

Schedule of Expenditures of Federal and State Awards

Year Ended December 31, 2021

Awarding Agency Program ID and Name Pass-Through Grantor	Grantor Pass-through Number	Expenditures	Subrecipient Awards
FEDERAL AWARDS:			
U.S. Department of Housing and Urban Development			
Assistance Listing No. 14.231 - Emergency Solutions Grant Program			
City of Milwaukee, Wisconsin	Not available	\$ 244,617	\$ -
City of Milwaukee, Wisconsin	Not available	77,323	-
City of Milwaukee, Wisconsin	Not available	28,452	-
Assistance Listing No. 14.231 - COVID-19 Emergency Solutions Grant Program			
City of Milwaukee, Wisconsin	Not available	136,993	-
Total Assistance Listing No. 14.231 - Emergency Solutions Grant Program		487,385	-
Assistance Listing No. 14.267 - Continuum of Care Program			
Direct	N.A	40,516	-
Assistance Listing No. 14.235 - Supportive Housing Program			
Direct	N.A.	90,654	-
Assistance Listing No. 14.239 - COVID-19 Emergency Solutions Grant Program - HOME			
City of Milwaukee, Wisconsin	Not available	322,536	-
Total U.S. Department of Housing and Urban Development		941,091	-
U.S. Department of Health and Human Services			
Assistance Listing No. 93.136 - Injury Prevention and Control Research and State and Community Based Programs			
State of Wisconsin Department of Health Services	150217	98,666	-
Assistance Listing No. 93.150 - Projects for Assistance in Transition from Homelessness (PATH)			
State of Wisconsin Department of Health Services	533601	166,483	-
Health Center Program Cluster:			
Assistance Listing No. 93.224 - Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Centers for the Homeless, and Public Housing Primary Care Centers)			
Direct	HealthCareCenters19	3,125,603	-
Direct	21H8FCS41461C6	614,638	-
Direct - Hypertension		31,830	-
Direct - Projects for Assistance in Transition form Homelessness Migrant Health		-	-
Direct - Coronavirus Supplemental Funding for Health Centers	20-COVID19-BPHC-C4	40,484	-
Direct - Coronavirus Supplemental Funding for Health Centers	20-COVID19-BPHC-C3	128,021	-
Total Assistance Listing No. 93.224 - Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Centers for the Homeless, and Public Housing Primary Care Centers)		3,940,576	-

Outreach Community Health Centers, Inc.

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2021

Awarding Agency Program ID and Name Pass-Through Grantor	Grantor Pass-through Number	Expenditures	Subrecipient Awards
FEDERAL AWARDS: (Continued)			
Assistance Listing No. 93.243 - Substance Abuse and Mental Health Services Projects			
State of Wisconsin Department of Health Services	533184	\$ 108,061	\$ -
Assistance Listing No. 93.268 - Immunization Cooperative Agreements			
State of Wisconsin Department of Health Services	150180	2,297	
State of Wisconsin Department of Health Services	150182	1,330	-
Total Immunization Cooperative Agreements		3,627	-
Assistance Listing No. 93.498 - Provider Relief Fund and Rural Distribution			
Direct	N.A	734,158	-
Assistance Listing No. 93.558 - Temporary Assistance for Needy Families			
Milwaukee County, Wisconsin	435.561	19,585	-
Assistance Listing No. 93.667 - Social Services Block Grant			
Milwaukee County, Wisconsin	435.561	36,767	-
Assistance Listing No. 93.800 - Organized Approaches to Increase Colorectal Cancer Screening			
UW Carbone Cancer Center	Not available	6,120	-
Assistance Listing No. 93.958 - Block Grants for Community Mental Health Services			
State of Wisconsin Department of Health Services	531275	40,088	-
Total U.S. Department of Health and Human Services		5,154,131	-
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 6,095,222	\$ -

Outreach Community Health Centers, Inc.

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2021

Awarding Agency Program ID and Name Pass-Through Grantor	Additional Award Information	Expenditures	Subrecipient Awards
STATE AWARDS:			
State of Wisconsin Department of Health Services			
State ID# 435.151301 - Community Health Centers			
Direct	N.A	\$ 312,323	\$ -
State ID# 435.155990 - Ryan White Part B			
Direct	N.A	74,379	-
State ID# 435.533601 - PATH			
Direct	N.A	8,457	-
State ID# 435.561 - Basic County Allocation			
Milwaukee County Department of Health and Human Services	N.A	216,803	-
TOTAL EXPENDITURES OF STATE AWARDS		\$ 611,962	\$ -

See independent auditor's report.

See accompanying notes to schedule of expenditures of federal and state awards.

Outreach Community Health Centers, Inc.

Notes to Schedule of Expenditures of Federal and State Awards

Year Ended December 31, 2021

Note 1: General

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state grant activity of Outreach Community Health Centers, Inc. under programs of the federal and state governments for the year ended December 31, 2021. The information in this schedule is presented in accordance with requirements of the 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 Wisconsin *State Single Audit Guidelines*. Because the schedule presents only a selected portion of the operations of Outreach Community Health Centers, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Outreach Community Health Centers, Inc.

Note 2: Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3: Indirect Cost Rate

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

Note 4: Sub-Recipients

Outreach Community Health Centers, Inc. does not have any sub-recipients of federal or state awards.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Outreach Community Health Centers, Inc.
Milwaukee, Wisconsin

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 financial statements of Outreach Community Health Centers, Inc., as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the Outreach Community Health Centers, Inc.'s basic financial statements, and have issued our report thereon dated May 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Outreach Community Health Centers, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Outreach Community Health Centers, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Outreach Community Health Centers, Inc.'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 reasonable possibility that a material misstatement of the Outreach Community Health Centers, Inc.'s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, schedule of findings and questioned costs item 2021-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

Outreach Community Health Centers, Inc.'s Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Outreach Community Health Centers, Inc.'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 Outreach Community Health Centers, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP
Milwaukee, Wisconsin

May 30, 2023

Independent Auditor's Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance Required by the Uniform Guidance and the *State Single Audit Guidelines*

Board of Directors
Outreach Community Health Centers, Inc.
Milwaukee, Wisconsin

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited Outreach Community Health Centers, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *State Single Audit Guidelines* issued by the State of Wisconsin Department of Administration that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2021. Outreach Community Health Centers, Inc.'s major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Outreach Community Health Centers, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal and state programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal and State 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) and the *State Single Audit Guidelines*, issued by the State of Wisconsin Department of Administration. 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 Outreach Community Health Centers, 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 and state program. Our audit does not provide a legal determination of Outreach Community Health Centers, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibility 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 Outreach Community Health Centers, 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*, the *State Single Audit Guidelines*, issued by the State of Wisconsin Department of Administration 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 Outreach Community Health Centers, Inc.'s compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, *State Single Audit Guidelines* 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 Outreach Community Health Centers, 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 Outreach Community Health Centers, 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 Outreach Community Health Centers, 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 a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 and state 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 2021-002 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 the Organization's response to the internal control over compliance finding identified in our audit 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 compliance and, accordingly, we express no opinion on the response.

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 and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.



Wipfli LLP
Milwaukee, Wisconsin

May 30, 2023

Outreach Community Health Centers, Inc.

Schedule of Findings and Questioned Costs

Year Ended December 31, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards and State Awards

Internal control over major programs:

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

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)]?

☒ Yes ☐ No

Identification of major federal programs:

<u>Assistance Listing</u>	<u>Federal Program or Cluster</u>
93.224*	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care Centers)
93.498	Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

* Assistance Listing Numbers 93.224 represent the Health Center Program cluster.

Identification of major state programs:

<u>Identifying Number</u>	<u>State Program or Cluster</u>
435.151301	Community Health Centers

Outreach Community Health Centers, Inc.

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2021

Section I - Summary of Auditor's Results (Continued)

Federal Awards and State Awards (Continued)

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

Federal	\$750,000
State	\$250,000

Auditee qualified as low-risk auditee? Yes X No

Section II - Financial Statement Findings

Finding 2021-001: Account Reconciliation and Closing Adjustments

Criteria

Maintenance of complete and accurate accounting records in accordance with generally accepted accounting principles (GAAP) ensures that timely, accurate and useful information is available to management, those charged with governance, and other interested parties. Internal controls must be in place to safeguard assets and ensure accurate financial accounting and reporting. Fundamental to a good system of internal controls are thorough review processes, accurate record keeping of accounting transactions, and timely reconciliations.

Condition

Subsequent to providing the initial trial balances to Outreach Community Health Centers, Inc.'s auditors, a combination of client prepared and audit entries were made that were deemed to be significant to the financial statements.

Cause and Effect

Reconciliations for certain accounts that were completed at year end did not tie to the ending general ledger account balances. Resolution of these differences were required after field work began in order to accurately report year-end balances.

Auditor's Recommendation

Implement effective internal controls that ensure all asset, liability, and net asset account reconciliations are reviewed and that reconciled balances tie to the general ledger on a timely basis.

View of Responsible Officials

Management agrees with the findings and has committed to a corrective action plan.

Outreach Community Health Centers, Inc.

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2021

Section III - Federal Award Findings and Questioned Costs

Finding 2021-002 Grant Reporting

AL # 93.498 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution
Questioned Costs - None

Criteria

Maintenance of complete and accurate accounting records in accordance with grant reporting requirements ensures that timely, accurate and useful information is available to management, those charged with governance, and grantors. Internal controls must be in place to ensure accurate grant reporting. Fundamental to a good system of internal controls are thorough review processes, accurate record keeping and timely reconciliations.

Condition

Wipfli noted that reporting requirements for the Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution grant required reporting of expenses by quarter for the grant period. Wipfli noted that Outreach Community Health Centers, Inc. reported all expenses to have been incurred in the fourth quarter of 2021, while the expenses were incurred in multiple quarters during the year.

Cause and Effect

All grant expenses were reported as being incurred in the fourth quarter of 2021 rather than in the quarter in which they were actually incurred.

Auditor's Recommendation

Implement effective internal controls that ensure that all reporting is accurate. Internal controls would include review and approval on all reporting on grants.

View of Responsible Officials

Management agrees with the findings and has committed to a corrective action plan.

Section IV - State Award Findings and Questioned Costs - None

Section V - Prior Year Audit Findings - None

Outreach Community Health Centers, Inc.

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2021

Section VI - Other Issues

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?

_____ Yes X No

Does the audit report show audit issues (i.e. material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, reportable condition, management letter comment) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Wisconsin Department of Administration

_____ Yes X No

Wisconsin Department of Health Services

_____ Yes X No

Was a management letter or other document conveying audit comments issued as a result of this audit?

_____ Yes X No

Name and Signature of Partner



Craig Hirt, CPA

Report Date

May 30, 2023



Outreach Community Health Centers, Inc.
Corrective Action Plan
Year Ended December 31, 2021

Finding 2021-001: Account Reconciliations and Closing Adjustments

OCHC has a procedure in place to reconcile accounts on a monthly basis. OCHC had staff turnover and several positions were open for majority of the year, which resulted in the delay in accounts being reconciled in a timely manner. It also caused a back up in work load. The finance department is fully staffed and accounts are reconciled monthly.

Person(s) Responsible

Accounting manager
Julia Harris-Robinson, Chief Financial Officer

Timing for Implementation

December 31, 2022

Finding 2021-002: Grant Reporting

OCHC grant accounting position was open for over a year, which resulted in delays in the grants being reported timely. The position has been filled, we are working thru learning curves and making sure, the position has the knowledge and expertise to complete the job. We have been training and reviewing all of the work completed by this position to eliminate any errors or misreporting of information.

Person(s) Responsible

Accounting Manager
Julia Harris-Robinson, Chief Financial Officer

Timing for Implementation

November 30, 2022 and ongoing until she is fully trained in the position.

Signed By:

A handwritten signature in black ink that reads "Julia Harris Robinson". The signature is written in a cursive, flowing style.

Interim CEO Julia Harris Robinson