

TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.

**COMBINED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2019

TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.

YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Trenton Health Team, Inc. and Trenton Health Team ACO, Inc.
Trenton, New Jersey

Report on the Financial Statements

We have audited the accompanying combined financial statements of TRENTON HEALTH TEAM, INC. and its affiliate TRENTON HEALTH TEAM ACO, INC. (nonprofit organizations), which comprise the combined statement of financial position as of December 31, 2019, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the combined financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to previously present fairly, in all material respects, the financial position of Trenton Health Team, Inc. and Trenton Health Team ACO, Inc. as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedules of Budgeted and Incurred Costs, as required by the State of New Jersey Department of Health, are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2020, on our consideration of Trenton Health Team, Inc. and Trenton Health Team ACO, 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 Trenton Health Team, Inc. and Trenton Health Team ACO, 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 Trenton Health Team, Inc. and Trenton Health Team ACO, Inc.'s internal control over financial reporting and compliance.



KLATZKIN & COMPANY_{LLP}

Hamilton, New Jersey
September 10, 2020

TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.

COMBINED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

	<u>Trenton Health Team, Inc.</u>	<u>Trenton Health Team ACO Inc.</u>	<u>Total</u>	<u>Eliminations</u>	<u>Combined</u>
ASSETS					
Cash and Cash Equivalents.....	\$ 1,066,310	\$ 250,018	\$ 1,316,328	\$ -	\$ 1,316,328
Grants and Contributions Receivable.....	298,140	-	298,140	-	298,140
Accounts Receivable, Net of Allowance for Doubtful Accounts.....	206,442	-	206,442	-	206,442
Due from Affiliated Organization.....	41,309	-	41,309	(41,309)	-
Prepaid Expenses.....	100,833	171,313	272,146	-	272,146
Security Deposit.....	5,000	-	5,000	-	5,000
Property and Equipment, Net of Accumulated Depreciation.....	<u>78,862</u>	<u>20,312</u>	<u>99,174</u>	<u>-</u>	<u>99,174</u>
TOTAL ASSETS.....	<u>\$ 1,796,896</u>	<u>\$ 441,643</u>	<u>\$ 2,238,539</u>	<u>\$ (41,309)</u>	<u>\$ 2,197,230</u>
LIABILITIES AND NET ASSETS					
<u>Liabilities</u>					
Accounts Payable.....	\$ 48,307	\$ -	\$ 48,307	\$ -	\$ 48,307
Due to Affiliated Organization.....	-	41,309	41,309	(41,309)	-
Accrued Expenses.....	89,090	-	89,090	-	89,090
Deferred Revenue.....	266,854	191,456	458,310	-	458,310
Refundable Advances.....	<u>434,712</u>	<u>208,691</u>	<u>643,403</u>	<u>-</u>	<u>643,403</u>
Total Liabilities.....	<u>838,963</u>	<u>441,456</u>	<u>1,280,419</u>	<u>(41,309)</u>	<u>1,239,110</u>
<u>Net Assets</u>					
Without Donor Restrictions.....	867,427	187	867,614	-	867,614
With Donor Restrictions.....	<u>90,506</u>	<u>-</u>	<u>90,506</u>	<u>-</u>	<u>90,506</u>
Total Net Assets.....	<u>957,933</u>	<u>187</u>	<u>958,120</u>	<u>-</u>	<u>958,120</u>
TOTAL LIABILITIES AND NET ASSETS.....	<u>\$ 1,796,896</u>	<u>\$ 441,643</u>	<u>\$ 2,238,539</u>	<u>\$ (41,309)</u>	<u>\$ 2,197,230</u>

The accompanying notes are an integral part of these financial statements.

TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.

COMBINED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Trenton Health Team, Inc.</u>	<u>Trenton Health Team ACO Inc.</u>	<u>Total</u>	<u>Eliminations</u>	<u>Combined</u>
Net Assets Without Donor Restrictions:					
<u>Support and Revenue</u>					
Grant and Contract Revenue.....	\$ 1,234,283	\$ -	\$ 1,234,283	\$ -	\$ 1,234,283
Government Grants and Contributions.....	662,710	993,532	1,656,242	-	1,656,242
HIE Subscription Fees.....	833,750	-	833,750	(250,000)	583,750
ACO Management Fee and Reimbursed Costs.....	590,394	-	590,394	(590,394)	-
Fee For Service Revenue.....	557,551	-	557,551	-	557,551
Contributions.....	7,437	-	7,437	-	7,437
In-Kind and Non-cash Contributions.....	13,138	-	13,138	-	13,138
Net Investment Return.....	5,468	29	5,497	-	5,497
Net Assets Released from Donor Restrictions.....	75,443	-	75,443	-	75,443
Total Support and Revenue.....	3,980,174	993,561	4,973,735	(840,394)	4,133,341
<u>Expenses</u>					
Program Services.....	3,369,508	880,142	4,249,650	\$ (727,894)	\$ 3,521,756
Management and General.....	427,912	97,275	525,187	(97,125)	428,062
Fundraising.....	61,781	16,115	77,896	(15,375)	62,521
Total Expenses.....	3,859,201	993,532	4,852,733	(840,394)	4,012,339
<u>Losses</u>					
Loss on Uncollectible Accounts Receivable.....	100,000	-	100,000	-	100,000
Total Expenses and Losses.....	3,959,201	993,532	4,952,733	(840,394)	4,112,339
Change in Net Assets Without Donor Restrictions.....	20,973	29	21,002	-	21,002
Net Assets With Donor Restrictions:					
Contributions.....	104,000	-	104,000	-	104,000
Net Assets Released from Donor Restrictions.....	(75,443)	-	(75,443)	-	(75,443)
Change in Net Assets With Donor Restrictions.....	28,557	-	28,557	-	28,557
Change in Net Assets.....	49,530	29	49,559	-	49,559
Net Assets - Beginning of Year.....	908,403	158	908,561	-	908,561
Net Assets - End of Year.....	\$ 957,933	\$ 187	\$ 958,120	\$ -	\$ 958,120

The accompanying notes are an integral part of these financial statements.

TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Trenton Health Team, Inc.</u>				<u>Trenton Health Team ACO, Inc.</u>				<u>Eliminations</u>	<u>Combined Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>		
Salaries.....	\$ 1,424,849	\$ 205,022	\$ 38,707	\$ 1,668,578	\$ 180,616	\$ -	\$ 727	\$ 181,343	\$ (181,343)	\$1,668,578
Payroll Taxes and Employee Benefits.....	256,650	36,410	6,874	299,934	28,548	-	-	28,548	(28,548)	299,934
Professional and Consultants.....	839,219	110,623	2,401	952,243	434,314	10,000	-	444,314	(377,958)	1,018,599
Program Expenses - Sub-awards and Mini-grants....	182,142	-	-	182,142	79,145	-	-	79,145	(5,000)	256,287
Program Expenses.....	350,174	775	-	350,949	83,206	-	-	83,206	(80,626)	353,529
Occupancy.....	142,663	15,580	8,801	167,044	-	-	-	-	-	167,044
Staff Education and Training.....	24,131	1,259	-	25,390	13,189	-	-	13,189	(12,100)	26,479
Travel and Meetings.....	65,782	3,926	-	69,708	8,293	-	-	8,293	(8,293)	69,708
Office Expense.....	20,573	17,040	-	37,613	24,969	87,275	15,375	127,619	(121,776)	43,456
Insurance.....	25,263	7,541	-	32,804	-	-	-	-	-	32,804
Technology Support and Software.....	28,449	23,334	4,676	56,459	24,750	-	-	24,750	(24,750)	56,459
Depreciation and Amortization.....	9,613	6,402	322	16,337	3,112	-	13	3,125	-	19,462
Total Expenses.....	\$ 3,369,508	\$ 427,912	\$ 61,781	\$ 3,859,201	\$ 880,142	\$ 97,275	\$ 16,115	\$ 993,532	\$ (840,394)	\$4,012,339

The accompanying notes are an integral part of these financial statements.

TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.

COMBINED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Trenton Health Team, Inc.</u>	<u>Trenton Health Team ACO Inc.</u>	<u>Total</u>	<u>Eliminations</u>	<u>Combined</u>
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities:					
Cash Received from Grantors and Contributors.....	\$ 3,724,811	\$ 1,250,098	\$ 4,974,909	\$ (821,473)	\$ 4,153,436
Cash Paid to Vendors and Employees.....	(3,791,506)	(1,036,016)	(4,827,522)	821,473	(4,006,049)
Interest Received.....	5,468	29	5,497	-	5,497
Net Cash Provided by (Used in) Operating Activities.....	<u>(61,227)</u>	<u>214,111</u>	<u>152,884</u>	<u>-</u>	<u>152,884</u>
Cash Flows from Investing Activities:					
Purchases of Property and Equipment.....	<u>(12,090)</u>	<u>-</u>	<u>(12,090)</u>	<u>-</u>	<u>(12,090)</u>
Net Cash Provided by (Used in) Investing Activities.....	<u>(12,090)</u>	<u>-</u>	<u>(12,090)</u>	<u>-</u>	<u>(12,090)</u>
Net Increase (Decrease) in Cash and Cash Equivalents.....	(73,317)	214,111	140,794	-	140,794
Cash and Cash Equivalents at Beginning of Year.....	<u>1,139,627</u>	<u>35,907</u>	<u>1,175,534</u>	<u>-</u>	<u>1,175,534</u>
Cash and Cash Equivalents at End of Year.....	<u>\$ 1,066,310</u>	<u>\$ 250,018</u>	<u>\$ 1,316,328</u>	<u>\$ -</u>	<u>\$ 1,316,328</u>

Supplemental Disclosure:

There were no amounts paid for income taxes or interest for the year ended December 31, 2019.

The accompanying notes are an integral part of these financial statements.

TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.

COMBINED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Trenton Health Team, Inc.</u>	<u>Trenton Health Team ACO Inc.</u>	<u>Total</u>	<u>Eliminations</u>	<u>Combined</u>
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities					
Change in Net Assets.....	\$ 49,530	\$ 29	\$ 49,559	\$ -	\$ 49,559
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:					
Loss on Uncollectible Accounts Receivable.....	100,000	-	100,000	-	100,000
Depreciation Expense.....	16,337	3,125	19,462	-	19,462
(Increase) Decrease in Accounts Receivable.....	(10,464)	-	(10,464)	-	(10,464)
(Increase) Decrease in Grants and Contracts Receivable.....	980,376	-	980,376	-	980,376
(Increase) Decrease in Due from Affiliate.....	(18,920)	-	(18,920)	18,920	-
(Increase) Decrease in Prepaid Expenses.....	(835)	(64,529)	(65,364)	-	(65,364)
Increase (Decrease) in Accounts Payable.....	14,113	-	14,113	-	14,113
Increase (Decrease) in Due to Affiliate.....	-	18,920	18,920	(18,920)	-
Increase (Decrease) in Accrued Expenses.....	38,080	-	38,080	-	38,080
Increase (Decrease) in Refundable Advance.....	(1,301,984)	195,065	(1,106,919)	-	(1,106,919)
Increase (Decrease) in Deferred Revenue.....	72,540	61,501	134,041	-	134,041
Total Adjustments.....	<u>(110,757)</u>	<u>214,082</u>	<u>103,325</u>	<u>-</u>	<u>103,325</u>
Net Cash Provided by (Used in) Operating Activities.....	<u>\$ (61,227)</u>	<u>\$ 214,111</u>	<u>\$ 152,884</u>	<u>\$ -</u>	<u>\$ 152,884</u>

The accompanying notes are an integral part of these financial statements.

TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

Note 1. Nature of Organization

Trenton Health Team, Inc. ("THT"), a nonprofit corporation located in Trenton, New Jersey, was established in 2010. THT, along with its affiliate Trenton Health Team ACO, Inc. ("ACO") (together, the "Organizations"), is a community health improvement collaborative whose mission is to transform healthcare for the City of Trenton by forming a committed partnership with the community to expand access to high quality, coordinated healthcare. The Organizations' programs are supported by government, foundation, and corporate grants and contributions, fee-for-service agreements, and Trenton Health Information Exchange (HIE) subscriptions.

The Organizations' current programs include:

Clinical Services – THT has continued to provide care management services focused on complex, high-utilizing Medicaid patients in Trenton, oncology patients in need of social supports, and TB patients throughout Mercer County. In partnership with the New Jersey Department of Health, THT has implemented New Jersey Cancer Education and Early Detection (NJCEED), a program of education, screening, referral, and navigation support for cancer patients and working with clinical and community partners to serve high-need clients across Mercer County. THT is in year 3 of the 5-year Capital City Diabetes Collaborative program to ensure consistent, evidence-based diabetes care with a focus on Medicaid clients. The Community-wide Clinical Care Coordination Team (C4T) guides implementation of the diabetes program, bringing key partners together to review data and address vital issues. We also have implemented a peer learning program for diabetes.

Community Programs – THT has implemented grant projects supporting priorities and goals adopted in 2014 by THT's Community Advisory Board, representing more than 100 Trenton agencies, and strengthening its role as a convener and integrator for regional health programming. Projects include: Faith in Prevention, working with faith-based groups on healthy lifestyle programming; the Transforming Communities Initiative, engaging area preschools and Trenton Public Schools to encourage healthy eating and active living among students and families, while addressing policy, system, and environmental changes pertaining to tobacco use, good nutrition, and physical activity; the BUILD Health Challenge, focusing on a targeted area to improve access and infrastructure for revitalized and healthier neighborhoods, including "cleaning & greening" of parks and vacant lots and the launch of a new farmers market; a Princeton Area Community Foundation All Kids Thrive effort addressing chronic absenteeism in Trenton Public Schools caused by health issues; collaborating to address housing quality, especially mitigating lead contamination and asthma triggers; and bringing health screenings to the community at health fairs, barber shops and weekly farmers markets.

TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2019

Note 1. Nature of Organization (Cont'd)

Data Services – HIE has grown in use to include 573,000 individual patient records that are accessed in real time by more than 980 healthcare providers within the greater Trenton community. A full-time HIE Program Manager leads this work and is supported by a full-time HIE Administrator, who conducts training for new users, troubleshoots user questions, generates reports, and monitors system use. Report functions have been expanded and enhanced, including the creation of both personal and population level tools. The HIE supports cross-sector programming, such as the Capital City Diabetes Collaborative, the All Kids Thrive project, projects focused on healthy homes, and a partnership with churches to send real-time alerts to health liaisons when enrolled congregants are hospitalized. In addition, THT launched a new closed loop referral system for social determinants of health that is integrated into the HIE.

ACO Management – THT-ACO received certification from the New Jersey Department of Human Services as a Medicaid Accountable Care Organization, effective July 1, 2015. The organization has continued to implement infrastructure required for an integrated healthcare delivery system that will transform Trenton's fragmented primary care system and help restore health to the City. THT-ACO was re-designated as one of New Jersey's first four Regional Health Hubs - the successor to the Medicaid ACO Demonstration.

Note 2. Summary of Significant Accounting Policies

Principles of Combination:

Trenton Health Team, Inc. and Trenton Health Team ACO, Inc. are combined for financial reporting purposes based upon shared management. Significant intercompany transactions and balances have been eliminated in the combined financial statements.

Basis of Presentation:

The accompanying combined financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which require the Organizations to report information regarding their financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organizations. These net assets may be used at the discretion of the Organizations' management and Board of Trustees.

TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2019

Note 2. Summary of Significant Accounting Policies (Cont'd)

Basis of Presentation (Cont'd):

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organizations or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Combined Statement of Activities.

Management's Use of Estimates and Assumptions:

Management uses estimates and assumptions in preparing its financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents:

The Organizations consider all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Grants and Contributions Receivable:

Grants and contributions receivable consist of both conditional and unconditional contributions. The Organizations consider all grants and contributions receivable to be fully collected within one year; accordingly, no allowance for doubtful amounts has been recorded. If amounts become uncollectible, they will be charged to the change in net assets when that determination is made.

TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2019

Note 2. Summary of Significant Accounting Policies (Cont'd)

Accounts Receivable:

Accounts receivable consist primarily of noninterest-bearing amounts due under fee for service contracts and Health Information Exchange (HIE) subscriptions. Amounts are mainly due from government agencies and corporations in the healthcare industry located in New Jersey. Accounts receivable are generally due from a few major service recipients. Management determines an allowance for doubtful accounts receivable based on an analysis of each receivable, an assessment of economic conditions, and a review of subsequent collections. At December 31, 2019, the Organizations have recorded an allowance for doubtful accounts on one contract in the amount of \$100,000. Other than this receivable, all other accounts receivable are expected to be fully collected within one year.

Property and Equipment and Depreciation:

Property and equipment costing in excess of \$5,000 are capitalized as assets and recorded at cost. Maintenance and repairs are charged to operations when incurred. Capital expenditures less than \$5,000 are also charged to operating expenses in the period incurred. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Leasehold improvements are amortized over the lesser of the length of the related leases or the estimated useful lives of the assets. Equipment purchased with grant funds is capitalized and depreciated; however, for grant purposes they are reflected as period expenditures against the grant.

Donations of property and equipment are recorded as support and capitalized at their estimated fair value at the date of donation. Such donations are recorded as support without donor restrictions, unless the donor has restricted the donated assets to specific purposes.

Compensated Absences:

Employees of the Organizations are entitled to paid time off (PTO), depending on job classification, length of service, and other factors. A liability has been recorded in the accompanying financial statements to estimate the amount of compensation for future absences.

Refundable Advances:

Refundable advances arise when the donor of a conditional contribution makes a payment to the Organizations prior to their incurring qualifying expenditures or achieving contract conditions. These amounts remain liabilities on the Combined Statement of Financial Position until the grant or contract conditions have been met. Once met, the satisfied amount can then be recognized as revenue.

TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2019

Note 2. Summary of Significant Accounting Policies (Cont'd)

Public Support and Revenue Recognition:

Contributions are recognized when the donor makes a promise to give to the Organizations that is, in substance, unconditional. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using low risk interest rates applicable to the years in which promises are received to discount the amounts.

Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are recognized when the conditions on which they are dependent are substantially satisfied. Consequently, at December 31, 2019, conditional pledges of \$747,536 have not yet been recognized in the accompanying Combined Statement of Activities because the conditions of which they depend have not yet been met.

Contributions received with donor-imposed conditions and/or restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Combined Statement of Activities as net assets released from restrictions.

Contributions of donated non-cash assets, such as software and rent, are recorded at their fair values in the periods received.

Subscription revenue in the Combined Statement of Activities consists of user fees for use of proprietary software licensed by the Organizations, as well as Health Information Exchange (HIE) services built and operated by the Organizations. Revenue is recognized ratably over the subscription period.

Fee for service revenue represents amounts earned for health related services under contracts and agreements. Revenues are recognized over time when the performance obligations of providing the services are met, based upon the terms and service rates stipulated in each contract.

TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2019

Note 2. Summary of Significant Accounting Policies (Cont'd)

Tax Status:

Trenton Health Team, Inc. and Trenton Health Team ACO, Inc. are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Income generated by activities that would be considered unrelated to the Organizations' mission would be subject to tax, which if incurred, would be recognized as a current expense. No such tax has been recognized for the year ended December 31, 2019.

The Organizations' federal exempt returns are subject to examination by the IRS, generally for three years after they were filed. The Organizations' state informational returns are subject to examination up to four years after they were filed. The statute of limitations does not apply to unfiled returns. The Organizations believe that all required returns have been filed.

The Organizations have determined that there are no material uncertain tax positions that require disclosure in the financial statements.

Concentrations:

Financial instruments that potentially subject the Organizations to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable from normal operating activities. The Organizations maintain their cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organizations' cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Organizations have not experienced, nor do they anticipate, any losses with respect to such accounts.

A significant portion of grant and contract revenue and fee for service revenue was provided by a few major funding sources. It is always considered reasonably possible that the grantors, contributors, and service recipients might be lost in the near term.

THT received approximately 21% of its revenue from subscriptions to HIE. HIE is maintained on a vendor's software through a software license subscription.

ACO received 100% of its support for the year ended December 31, 2019, from the State of New Jersey as one of its Regional Health Hubs. Funding was provided through the State of New Jersey's fiscal 2020 budget and is scheduled to end June 30, 2020. Future funding is proposed in the fiscal year 2021 State budget, which has not been finalized as of the date of this report.

TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2019

Note 2. Summary of Significant Accounting Policies (Cont'd)

Functional Allocation of Expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined Statement of Activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include salaries and benefits, which are allocated on the basis of estimates of time and effort; and occupancy costs, office expense, insurance and depreciation, which are allocated based on employee headcount.

Adoption of New Accounting Pronouncements:

For the year ended December 31, 2019, the Organizations have adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. The Organizations have also adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. Management believes the standards improve the usefulness and understandability of the Organizations' financial reporting.

An analysis of various provisions of these revenue standards resulted in no significant changes in the way the Organizations recognize revenue; therefore, no changes to net assets were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standards.

There was, however, a change in the way conditional multi-year pledges are recorded on the Combined Statement of Financial Position. Historically, multi-year pledges have been recorded as both a Grant Receivable and a Refundable Advance. Under the new guidance, these are considered conditional contributions and should not be reflected on the Combined Statement of Financial Position. As a result, both Grant Receivable and Refundable Advances have been reduced by \$747,536. This accounts for the large reduction in both Assets and Liabilities when compared to December 31, 2018.

TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2019

Note 2. Summary of Significant Accounting Policies (Cont'd)

New Accounting Pronouncement:

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the Combined Statement of Financial Position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the Combined Statement of Activities. As a nonpublic entity and as allowed by FASB ASU 2020-05 issued June 3, 2020, the Organizations have elected their option to defer adoption of the revised lease standard until their fiscal year beginning after December 15, 2021. The Organizations are currently evaluating the impact of the pending adoption of the new standard on their financial statements.

Note 3. Available Resources and Liquidity

The following represents the Organizations' financial assets at December 31, 2019:

Financial assets at year-end:	
Cash and cash equivalents	\$ 1,316,328
Accounts receivable	206,442
Grants and contracts receivable	<u>298,140</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,820,910</u>

The Organizations receive significant contributions and grants restricted by donors and grantors and consider contributions restricted for programs which are ongoing, major, and central to their annual operations to be available to meet cash needs for general expenditures. The Organizations manage their liquidity and reserves to maintain adequate liquid assets to fund near-term operating needs and sufficient reserves to provide reasonable assurance that long-term obligations will be paid in accordance with the terms. This goal is achieved through the Organizations' budgeting process and expenditure policies. As part of the Organizations' liquidity management plan, cash in excess of daily requirements is invested in money market funds and savings accounts. As of December 31, 2019, Trenton Health Team, Inc. has working capital of \$874,072 and an average of 3 months cash on hand based on normal expenditures.

TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2019

Note 4. Contract Balances

The timing of revenue recognition, billings, and cash collections results in accounts receivable and deferred revenue on the Combined Statement of Financial Position. Amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals, or upon achievement of contractual objectives. Deferred Revenue consists primarily of amounts not yet earned on HIE subscriptions. Subscriptions are billed on an annual basis at the beginning of the subscription period and recorded as Deferred Revenue. Each month revenue is recorded for 1/12th of the annual fee.

The beginning and ending contract balances were as follows:

	December 31,	
	<u>2019</u>	<u>2018</u>
Accounts Receivable	\$ 206,442	\$ 195,978
Deferred Revenue	\$ 458,310	\$ 324,269

Revenue recognized for the year ended December 31, 2019 that was included in the contract liability balance at the beginning of the year was \$324,269.

Note 5. Property and Equipment

Following is a summary of property and equipment:

	Estimated useful lives <u>in years</u>	
Improvements	5	\$ 29,159
Vehicles.....	5	41,331
Furniture and Equipment.....	8	<u>76,684</u>
		147,174
Accumulated depreciation		<u>48,000</u>
		<u>\$ 99,174</u>

Depreciation and amortization expense for the year ended December 31, 2019 was \$19,462.

TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2019

Note 6. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2019 were available for future clinical and community service programs in the amount of \$90,506. Net assets released from donor restrictions through satisfaction of purpose restrictions of \$75,443 for the year ended December 31, 2019.

Note 7. Donated Services, Materials, and Facilities

The Organizations received donated computer software licenses valued at \$6,558 for the year ended December 31, 2019.

The Organizations also received donated clinic and office space valued at \$6,580 for the year ended December 31, 2019.

Note 8. Leases

The Organizations lease office space for their operations under a cancelable operating lease which expires July 31, 2023. The current monthly rent payment is \$10,000. Total office rental expense was \$120,000 for the year ended December 31, 2019.

Note 9. Retirement Plan

The Organizations have a 401(k) retirement plan covering employees who have completed three consecutive months of service and who are over the age of twenty-one. Participating employees may elect to contribute up to 20% of their base salaries, subject to federally designated limits. The Organizations contribute 100% of the first 3% of eligible employee salary deferrals, plus 50% of salary deferrals that exceed 3%, but do not exceed 5% of eligible deferrals. Employer contributions were \$44,074 for the year ended December 31, 2019.

TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2019

Note 10. Subsequent Events

Management has evaluated subsequent events through September 10, 2020, the date on which the financial statements were available to be issued.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 2020, the Governor of New Jersey ordered the closure of the physical location of every “non-life sustaining” [“non-essential”] business for what may be an extended period of time. There has been no immediate impact to the Organizations’ operations. Future potential impacts may include continued disruptions or restrictions on its employees’ ability to work and impairment of the Organizations’ ability to obtain grants and contributions. The future effects of these issues are unknown.

THT applied and was approved for a \$347,792 loan in May 2020 under the Paycheck Protection Program, created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. THT is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

SUPPLEMENTARY INFORMATION

TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.

SCHEDULE OF BUDGETED AND INCURRED COSTS

GRANT NUMBER: DCHS19CED026

GRANT PERIOD: 10/1/18-6/30/19

FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Cost Category</u>	(Unaudited) Final Approved Budget	Prior Year Audited Expenditure Reports	Current Year Audited Expenditure Reports	Total Expenditures	Questioned Costs
Salaries and Wages.....	\$ 163,314	\$ 20,970	\$ 69,863	\$ 90,833	\$ -
Fringe Benefits.....	40,828	3,056	11,190	14,246	-
Other.....	<u>71,779</u>	<u>5,636</u>	<u>66,114</u>	<u>71,750</u>	-
Total Direct Cost.....	275,921	29,662	147,167	176,829	-
Indirect Cost.....	-	-	-	-	-
Total Costs.....	275,921	29,662	147,167	176,829	-
Less: Program Income.....	-	-	-	-	-
Net Total Cost.....	<u>\$ 275,921</u>	<u>\$ 29,662</u>	<u>\$ 147,167</u>	<u>\$ 176,829</u>	<u>\$ -</u>

See independent auditors' report.

TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.

SCHEDULE OF BUDGETED AND INCURRED COSTS

GRANT NUMBER: DCHS20CED006

GRANT PERIOD: 7/1/19-6/30/20

FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Cost Category</u>	(Unaudited) Final Approved Budget	Prior Year Audited Expenditure Reports	Current Year Audited Expenditure Reports	Total Expenditures	Questioned Costs
Salaries and Wages.....	\$ 161,696	\$ -	\$ 59,962	\$ 59,962	\$ -
Fringe Benefits.....	33,124	-	9,132	9,132	-
Other.....	<u>140,102</u>	-	<u>68,352</u>	<u>68,352</u>	-
Total Direct Cost.....	334,922	-	137,446	137,446	-
Indirect Cost.....	<u>-</u>	-	-	-	-
Total Costs.....	334,922	-	137,446	137,446	-
Less: Program Income.....	<u>-</u>	-	-	-	-
Net Total Cost.....	<u>\$ 334,922</u>	<u>\$ -</u>	<u>\$ 137,446</u>	<u>\$ 137,446</u>	<u>\$ -</u>

See independent auditors' report.

TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.

SCHEDULE OF BUDGETED AND INCURRED COSTS

GRANT NUMBER: DCHS19FIP002

GRANT PERIOD: 10/1/18-9/30/19

FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Cost Category</u>	(Unaudited) Final Approved Budget	Prior Year Audited Expenditure Reports	Current Year Audited Expenditure Reports	Total Expenditures	Questioned Costs
Salaries and Wages.....	\$ 101,586	\$ 19,678	\$ 90,201	\$ 109,879	\$ -
Fringe Benefits.....	16,095	2,011	11,693	13,704	-
Facility Costs.....	1,500	375	1,125	1,500	-
Professional Service Agreements.....	12,252	1,813	7,879	9,692	-
Subawards.....	39,888	3,300	34,219	37,519	-
Supplies.....	654	263	391	654	-
Program Expenses	39,424	12	40,692	40,704	-
Other.....	5,400	1,803	1,344	3,147	-
Total Direct Cost.....	216,799	29,255	187,544	216,799	-
Indirect Cost.....	-	-	-	-	-
Total Costs.....	216,799	29,255	187,544	216,799	-
Less: Program Income.....	-	-	-	-	-
Net Total Cost.....	<u>\$ 216,799</u>	<u>\$ 29,255</u>	<u>\$ 187,544</u>	<u>\$ 216,799</u>	<u>\$ -</u>

See independent auditors' report.

TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.

SCHEDULE OF BUDGETED AND INCURRED COSTS

GRANT NUMBER: DCHS20FIP004

GRANT PERIOD: 10/1/19-9/30/20

FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Cost Category</u>	(Unaudited) Final Approved Budget	Prior Year Audited Expenditure Reports	Current Year Audited Expenditure Reports	Total Expenditures	Questioned Costs
Salaries and Wages.....	\$ 93,396	\$ -	\$ 13,284	\$ 13,284	\$ -
Fringe Benefits.....	15,568	-	2,317	2,317	-
Facility Costs.....	1,500	-	375	375	-
Professional Service Agreements.....	16,818	-	1,781	1,781	-
Subawards.....	18,000	-	-	-	-
Supplies.....	6,600	-	150	150	-
Travel.....	380	-	-	-	-
Training.....	3,250	-	-	-	-
Other.....	3,270	-	294	294	-
Total Direct Cost.....	158,782	-	18,201	18,201	-
Indirect Cost.....	-	-	-	-	-
Total Costs.....	158,782	-	18,201	18,201	-
Less: Program Income.....	-	-	-	-	-
Net Total Cost.....	<u>\$ 158,782</u>	<u>\$ -</u>	<u>\$ 18,201</u>	<u>\$ 18,201</u>	<u>\$ -</u>

See independent auditors' report.

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

To the Board of Trustees of
Trenton Health Team, Inc. and Trenton Health Team ACO, Inc.
Trenton, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of TRENTON HEALTH TEAM, INC. and its affiliate TRENTON HEALTH TEAM ACO, INC. (nonprofit organizations), which comprise the combined statement of financial position as of December 31, 2019, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated September 10, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered Trenton Health Team, Inc. and Trenton Health Team ACO, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Trenton Health Team, Inc. and Trenton Health Team ACO, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Trenton Health Team, Inc. and Trenton Health Team ACO, 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 a reasonable possibility that a material misstatement of the Organizations' combined financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trenton Health Team, Inc. and Trenton Health Team ACO, Inc.'s combined 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 determination of combined financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



KLATZKIN & COMPANY_{LLP}

Hamilton, New Jersey
September 10, 2020