

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

**COMBINED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2020

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

YEAR ENDED DECEMBER 31, 2020

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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, 2020, 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, 2020, 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 July 19, 2021, 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
July 19, 2021

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

COMBINED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

	<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.....	\$ 2,250,626	\$ 11,374	\$ 2,262,000	\$ -	\$ 2,262,000
Grants and Contributions Receivable.....	117,947	172,935	290,882	-	290,882
Accounts Receivable, Net of Allowance for Doubtful Accounts.....	181,107	-	181,107	-	181,107
Due from Affiliated Organization.....	184,300	-	184,300	(184,300)	-
Prepaid Expenses.....	86,875	102,095	188,970	-	188,970
Security Deposit.....	5,000	-	5,000	-	5,000
Property and Equipment, Net of Accumulated Depreciation.....	<u>92,760</u>	<u>17,187</u>	<u>109,947</u>	<u>-</u>	<u>109,947</u>
TOTAL ASSETS.....	<u>\$ 2,918,615</u>	<u>\$ 303,591</u>	<u>\$ 3,222,206</u>	<u>\$ (184,300)</u>	<u>\$ 3,037,906</u>
LIABILITIES AND NET ASSETS					
<u>Liabilities</u>					
Accounts Payable.....	\$ 53,407	\$ -	\$ 53,407	\$ -	\$ 53,407
Due to Affiliated Organization.....	-	184,300	184,300	(184,300)	-
Accrued Expenses.....	133,002	-	133,002	-	133,002
Deferred Revenue.....	280,207	119,104	399,311	-	399,311
Refundable Advance - Paycheck Protection Program.....	27,924	-	27,924	-	27,924
Refundable Advances.....	<u>1,350,816</u>	<u>-</u>	<u>1,350,816</u>	<u>-</u>	<u>1,350,816</u>
Total Liabilities.....	<u>1,845,356</u>	<u>303,404</u>	<u>2,148,760</u>	<u>(184,300)</u>	<u>1,964,460</u>
<u>Net Assets</u>					
Without Donor Restrictions.....	853,328	187	853,515	-	853,515
With Donor Restrictions.....	<u>219,931</u>	<u>-</u>	<u>219,931</u>	<u>-</u>	<u>219,931</u>
Total Net Assets.....	<u>1,073,259</u>	<u>187</u>	<u>1,073,446</u>	<u>-</u>	<u>1,073,446</u>
TOTAL LIABILITIES AND NET ASSETS.....	<u>\$ 2,918,615</u>	<u>\$ 303,591</u>	<u>\$ 3,222,206</u>	<u>\$ (184,300)</u>	<u>\$ 3,037,906</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, 2020

	<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:					
Support and Revenue					
Grant and Contract Revenue.....	\$ 1,151,625	\$ -	\$ 1,151,625	\$ -	\$ 1,151,625
Government Grants and Contributions.....	574,184	891,467	1,465,651	-	1,465,651
HIE Subscription Fees.....	809,750	-	809,750	(250,000)	559,750
ACO Management Fee and Reimbursed Costs.....	458,763	-	458,763	(458,763)	-
Fee For Service Revenue.....	623,015	-	623,015	-	623,015
Grant Revenue - Paycheck Protection Program	319,868	-	319,868	-	319,868
Contributions.....	15,875	-	15,875	-	15,875
In-Kind and Non-cash Contributions.....	7,867	-	7,867	-	7,867
Net Investment Return.....	991	80	1,071	-	1,071
Net Assets Released from Donor Restrictions.....	267,103	-	267,103	-	267,103
Total Support and Revenue.....	4,229,041	891,547	5,120,588	(708,763)	4,411,825
Expenses					
Program Services.....	3,621,456	785,623	4,407,079	\$(603,006)	\$ 3,804,073
Management and General.....	426,072	91,400	517,472	(91,398)	426,074
Fundraising.....	95,612	14,524	110,136	(14,359)	95,777
Total Expenses.....	4,143,140	891,547	5,034,687	(708,763)	4,325,924
Losses					
Loss on Uncollectible Accounts Receivable.....	100,000	-	100,000	-	100,000
Total Expenses and Losses.....	4,243,140	891,547	5,134,687	(708,763)	4,425,924
Change in Net Assets Without Donor Restrictions.....	(14,099)	-	(14,099)	-	(14,099)
Net Assets With Donor Restrictions:					
Contributions.....	396,528	-	396,528	-	396,528
Net Assets Released from Donor Restrictions.....	(267,103)	-	(267,103)	-	(267,103)
Change in Net Assets With Donor Restrictions.....	129,425	-	129,425	-	129,425
Change in Net Assets.....	115,326	-	115,326	-	115,326
Net Assets - Beginning of Year.....	957,933	187	958,120	-	958,120
Net Assets - End of Year.....	\$ 1,073,259	\$ 187	\$ 1,073,446	\$ -	\$ 1,073,446

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, 2020

	<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.....	\$ 1,917,448	\$ 176,968	\$ 71,014	\$ 2,165,430	\$ 209,738	\$ -	\$ 11,700	\$ 221,438	\$ (221,438)	\$2,165,430
Payroll Taxes and Employee Benefits.....	388,244	35,832	14,379	438,455	34,169	-	2,422	36,591	(36,591)	438,455
Professional and Consultants.....	708,840	135,400	1,556	845,796	393,119	-	237	393,356	(353,646)	885,506
Program Expenses - Sub-awards and Mini-grants....	22,238	-	-	22,238	44,708	-	-	44,708	-	66,946
Program Expenses.....	317,849	-	-	317,849	100,239	-	-	100,239	(5,000)	413,088
Occupancy.....	145,985	10,586	3,879	160,450	-	-	-	-	-	160,450
Staff Education and Training.....	10,292	1,589	-	11,881	-	-	-	-	-	11,881
Travel and Meetings.....	13,904	3,249	-	17,153	590	-	-	590	(590)	17,153
Office Expense.....	13,067	14,302	-	27,369	100	91,400	-	91,500	(91,498)	27,371
Insurance.....	26,308	8,829	-	35,137	-	-	-	-	-	35,137
Technology Support and Software.....	37,734	38,218	4,381	80,333	-	-	-	-	-	80,333
Depreciation and Amortization.....	19,547	1,099	403	21,049	2,960	-	165	3,125	-	24,174
Total Expenses.....	\$ 3,621,456	\$ 426,072	\$ 95,612	\$ 4,143,140	\$ 785,623	\$ 91,400	\$ 14,524	\$ 891,547	\$ (708,763)	\$4,325,924

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, 2020

	<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.....	\$ 5,277,393	\$ 437,489	\$ 5,714,882	\$ (565,772)	\$ 5,149,110
Cash Paid to Vendors and Employees.....	(4,059,121)	(676,213)	(4,735,334)	565,772	(4,169,562)
Interest Received.....	991	80	1,071	-	1,071
Net Cash Provided by (Used in) Operating Activities.....	<u>1,219,263</u>	<u>(238,644)</u>	<u>980,619</u>	<u>-</u>	<u>980,619</u>
Cash Flows from Investing Activities:					
Purchases of Property and Equipment.....	<u>(34,947)</u>	-	<u>(34,947)</u>	-	<u>(34,947)</u>
Net Cash Provided by (Used in) Investing Activities.....	<u>(34,947)</u>	<u>-</u>	<u>(34,947)</u>	<u>-</u>	<u>(34,947)</u>
Net Increase (Decrease) in Cash and Cash Equivalents.....	1,184,316	(238,644)	945,672	-	945,672
Cash and Cash Equivalents at Beginning of Year.....	<u>1,066,310</u>	<u>250,018</u>	<u>1,316,328</u>	<u>-</u>	<u>1,316,328</u>
Cash and Cash Equivalents at End of Year.....	<u>\$ 2,250,626</u>	<u>\$ 11,374</u>	<u>\$ 2,262,000</u>	<u>\$ -</u>	<u>\$ 2,262,000</u>

Supplemental Disclosure:

There were no amounts paid for income taxes or interest for the year ended December 31, 2020.

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, 2020

	<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.....	\$ 115,326	\$ -	\$ 115,326	\$ -	\$ 115,326
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 and Amortization Expense.....	21,049	3,125	24,174	-	24,174
(Increase) Decrease in Accounts Receivable.....	25,335	-	25,335	-	25,335
(Increase) Decrease in Grants and Contributions Receivable.....	80,193	(172,935)	(92,742)	-	(92,742)
(Increase) Decrease in Due from Affiliate.....	(142,991)	-	(142,991)	142,991	-
(Increase) Decrease in Prepaid Expenses.....	13,958	69,218	83,176	-	83,176
Increase (Decrease) in Accounts Payable.....	5,100	-	5,100	-	5,100
Increase (Decrease) in Due to Affiliate.....	-	142,991	142,991	(142,991)	-
Increase (Decrease) in Accrued Expenses.....	43,912	-	43,912	-	43,912
Increase (Decrease) in Refundable Advance - Paycheck Protection Program.....	27,924	-	27,924	-	27,924
Increase (Decrease) in Refundable Advance.....	916,104	(208,691)	707,413	-	707,413
Increase (Decrease) in Deferred Revenue.....	13,353	(72,352)	(58,999)	-	(58,999)
Total Adjustments.....	<u>1,103,937</u>	<u>(238,644)</u>	<u>865,293</u>	<u>-</u>	<u>865,293</u>
Net Cash Provided by (Used in) Operating Activities.....	<u>\$ 1,219,263</u>	<u>\$ (238,644)</u>	<u>\$ 980,619</u>	<u>\$ -</u>	<u>\$ 980,619</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, 2020

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 "Organization"), is dedicated to improving the health and well-being of the greater Trenton community. The Organization's programs are supported by government, foundation, and corporate grants and contributions, fee-for-service agreements, and Trenton Health Information Exchange (HIE) subscriptions.

As one of New Jersey's four state-designated Regional Health Hubs (RHH), THT leads a range of initiatives to improve individual and community health, as well as providing important data, analytics, and collaborative capacity for the region. THT provides services in a core focus area of Trenton, New Jersey, with some services provided county-wide or for the greater Trenton area. Key areas of work include:

Clinical Services – THT provides a number of community-based clinical programs for individuals in Trenton and throughout Mercer County. These include care management services that provide one-on-one assistance to patients with unmet clinical and social needs, as well as programs aiming to reduce the prevalence and impact of chronic disease conditions in the Trenton area, particularly diabetes and cancer. THT also implements key public health initiatives for the City, County, and State, including efforts focused on tuberculosis monitoring and overdose fatality prevention.

Community Programs – As an RHH, THT plays an important backbone/integrator role for the region, supporting collective action by over 100 organizations through its Community Advisory Board (CAB) and its working groups. THT also leads multiple efforts aimed at making Trenton a healthier and more vibrant city, grounded in the understanding that social and community factors strongly influence health outcomes. Key projects include: a collaboration with the Trenton Public Schools to reduce health-related chronic absenteeism; projects to address unhealthy housing conditions citywide; targeted neighborhood improvement efforts; a healthy lifestyle curriculum that THT has brought to over 80 faith-based organizations; targeted neighborhood revitalization efforts; and citywide public health messaging campaigns around COVID-19, tobacco use, and sugary drinks.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1. Nature of Organization (Cont'd)

Data and Analytics – THT provides important data and analytics capacity to the region. This includes operating the HIE, a patient data platform that facilitates the sharing of patient records between over 1,000 healthcare providers in the Trenton area, enabling better coordination of patient-level care between providers as well as population-level data analysis through its secure analytics module. The HIE is also integrated with the NowPow social services referral platform, which over 40 organizations in the area use to address clients' needs. THT's Data and Analytics team works with hyperlocal data from the HIE, NowPow, and other public and private data sources to support the programs and strategies of THT; healthcare partners; community organizations; and public health agencies at the City, County, and State.

ACO/RHH Management – THT-ACO was certified as a Medicaid Accountable Care Organization by the New Jersey Department of Human Services in 2015 as part of the Medicaid ACO Demonstration Project, as part of which THT provided a key set of services within the Trenton area. In 2019, the State transitioned the Medicaid ACO model to a Regional Health Hub model and re-designated THT-ACO as a Regional Health Hub.

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 Organization to report information regarding its 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 Organization. These net assets may be used at the discretion of the Organization's 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, 2020

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 Organization or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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 Organization considers 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 Organization considers all grants and contributions receivable to be fully collectible 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, 2020

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 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, 2020, the Organization has recorded an allowance for doubtful accounts on one contract in the amount of \$200,000. Other than these receivables, 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. Property and equipment purchased with grant funds are 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 Organization 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 Organization prior to the incurrence of qualifying expenditures or satisfaction of 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, 2020

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 Organization that is, in substance, unconditional. Unconditional promises to give are recorded at their net realizable value. Unconditional promises to give due in more than one year 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. Unconditional promises to give are included in grants and contributions receivable.

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, 2020, conditional pledges of \$2,261,638 have not yet been recognized in the accompanying Combined Statement of Activities because the conditions of which they depend have not yet been met. The conditions are primarily the incurrence of expenses in accordance with the grant agreements.

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 Organization, as well as HIE services built and operated by the Organization. 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.

The Organization has elected to omit the revenue recognition disclosures that are optional for nonpublic entities.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2020

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 Organization's 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, 2020.

The Organization's federal exempt returns are subject to examination by the IRS, generally for three years after they were filed. The Organization's 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 Organization believes that all required returns have been filed.

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

Concentrations:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable from normal operating activities. The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it 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 19% 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, 2020, from the State of New Jersey as one of its Regional Health Hubs. Funding through September 30, 2020 was provided through the State of New Jersey's fiscal 2020 budget. Funding through June 30, 2021 is provided in the fiscal year 2021 State budget.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2020

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.

Those direct costs which can be identified with a particular program are charged to the program for which they benefit. Indirect 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, technology support, insurance and depreciation, which are allocated based on employee headcount.

New Accounting Pronouncement:

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 Organization has elected its option to defer adoption of the revised lease standard until its fiscal year beginning after December 15, 2021. The Organization is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

Date of Management Evaluation of Subsequent Events:

Management has evaluated subsequent events through July 19, 2021, the date on which the financial statements were available to be issued.

Note 3. Available Resources and Liquidity

The following represents the Organization's financial assets at December 31, 2020:

Financial assets at year-end:	
Cash and cash equivalents	\$ 2,262,000
Accounts receivable	181,107
Grants and contributions receivable	<u>290,882</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,733,989</u>

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2020

Note 3. Available Resources and Liquidity (Cont'd)

The Organization receives 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 Organization manages its 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 Organization's budgeting process and expenditure policies. As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in money market funds and savings accounts. As of December 31, 2020, THT has working capital of \$783,761 and an average of 6 months cash on hand based on normal expenditures.

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>2020</u>	<u>2019</u>
Accounts Receivable	\$ 181,107	\$ 206,442
Deferred Revenue	\$ 399,311	\$ 458,310

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2020

Note 5. Property and Equipment

Following is a summary of property and equipment:

	Estimated useful lives in years	
Improvements	5	\$ 29,159
Vehicles.....	5	41,331
Furniture and Equipment.....	8	<u>111,631</u>
		182,121
Accumulated depreciation		<u>72,174</u>
		<u>\$ 109,947</u>

Depreciation and amortization expense for the year ended December 31, 2020 was \$24,174.

Note 6. Refundable Advance – Paycheck Protection Program

The Organization applied and was approved for a \$347,792 loan in May 2020 under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan is uncollateralized and is fully guaranteed by the Federal government. Interest on the unforgiven portion of the loan will accrue at 1% from the date of disbursement. Payments are not required to begin for ten months after the end of the loan forgiveness covered period. The Organization is eligible for loan forgiveness of up to 100% of the loan, if the Organization maintains employment levels during its 24-week covered period and uses the funds for certain payroll, rent, and utility expenses. Any unforgiven part of the loan will be due in 14 monthly installments after the ten-month deferral period. The Organization has recorded the loan as a refundable advance and has recorded PPP grant revenue for the expected forgiven amount of \$319,868 in accordance with guidance for conditional contributions. The Organization expects to repay the unforgiven balance of \$27,924 plus interest accrued at 1% per annum beginning in August 2021. Principal and interest payments would be required through the maturity date in October 2022. The PPP loan proceeds are reflected as a cash inflow from operating activities on the Combined Statement of Cash Flows.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2020

Note 7. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2020 were available for future clinical and community service programs in the amount of \$219,931. Net assets were released from donor restrictions through satisfaction of purpose restrictions of \$267,103 for the year ended December 31, 2020.

Note 8. Donated Services, Materials, and Facilities

The Organization received donated computer software licenses valued at \$1,287 for the year ended December 31, 2020.

The Organization also received donated clinic and office space valued at \$6,580 for the year ended December 31, 2020.

Note 9. Leases

The Organization leases office space for its 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, 2020. Additional short-term rental expense of \$5,940 was incurred during the year ended December 31, 2020.

Note 10. Retirement Plan

The Organization has 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 Organization contributes 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 \$56,504 for the year ended December 31, 2020.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2020

Note 11. Disclosure of Risk and Uncertainty

The COVID-19 outbreak in the United States in March 2020 has caused business disruption through mandated and voluntary closure of businesses, schools, churches, and other public facilities. The Organization has continued to provide services, with safety measures in place, since the onset of the pandemic. The pandemic did not have a significant impact on the Organization's total revenues for 2020. Considerable uncertainty remains about the duration of the pandemic and long-term implications on funding. Accordingly, the extent to which COVID-19 may impact the Organization's future financial position, changes in net assets, and cash flows is uncertain and the accompanying financial statements include no adjustments related to the effects of the pandemic.

SUPPLEMENTARY INFORMATION

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

SCHEDULE OF BUDGETED AND INCURRED COSTS

GRANT NUMBER: DCHS21CED002

GRANT PERIOD: 7/1/20-6/30/21

FOR THE YEAR ENDED DECEMBER 31, 2020

<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.....	\$ 109,771	\$ -	\$ 44,619	\$ 44,619	\$ -
Fringe Benefits.....	21,358	-	10,204	10,204	-
Contract Services.....	28,754	-	1,314	1,314	-
Travel.....	449	-	145	145	-
Other.....	<u>176,562</u>	<u>-</u>	<u>36,465</u>	<u>36,465</u>	<u>-</u>
Total Direct Cost.....	336,894	-	92,747	92,747	-
Indirect Cost.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Costs.....	336,894	-	92,747	92,747	-
Less: Program Income.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Cost.....	<u>\$ 336,894</u>	<u>\$ -</u>	<u>\$ 92,747</u>	<u>\$ 92,747</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, 2020

<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.....	\$ 161,695	\$ 59,962	\$ 84,120	\$ 144,082	\$ -
Fringe Benefits.....	29,405	9,132	12,913	22,045	-
Contract Services.....	3,719	-	-	-	-
Other.....	<u>140,104</u>	<u>68,352</u>	<u>46,466</u>	<u>114,818</u>	-
Total Direct Cost.....	334,923	137,446	143,499	280,945	-
Indirect Cost.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
Total Costs.....	334,923	137,446	143,499	280,945	-
Less: Program Income.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
Net Total Cost.....	<u>\$ 334,923</u>	<u>\$ 137,446</u>	<u>\$ 143,499</u>	<u>\$ 280,945</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: DCHS21FIP003

GRANT PERIOD: 10/1/20-9/30/21

FOR THE YEAR ENDED DECEMBER 31, 2020

<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.....	\$ 106,657	\$ -	\$ 20,384	\$ 20,384	\$ -
Fringe Benefits.....	21,300	-	4,118	4,118	-
Facility Costs.....	1,500	-	375	375	-
Professional Service Agreements.....	8,036	-	1,876	1,876	-
Subawards.....	13,500	-	-	-	-
Supplies.....	600	-	150	150	-
Travel	288	-	-	-	-
Other.....	6,900	-	350	350	-
Total Direct Cost.....	158,781	-	27,253	27,253	-
Indirect Cost.....	-	-	-	-	-
Total Costs.....	158,781	-	27,253	27,253	-
Less: Program Income.....	-	-	-	-	-
Net Total Cost.....	<u>\$ 158,781</u>	<u>\$ -</u>	<u>\$ 27,253</u>	<u>\$ 27,253</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, 2020

<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.....	\$ 97,382	\$ 13,284	\$ 65,900	\$ 79,184	\$ -
Fringe Benefits.....	20,847	2,317	13,269	15,586	-
Facility Costs.....	1,500	375	1,125	1,500	-
Professional Service Agreements.....	8,090	1,781	5,857	7,638	-
Subawards.....	18,000	-	1,500	1,500	-
Supplies.....	6,600	150	468	618	-
Travel.....	380	-	-	-	-
Training.....	2,713	-	2,713	2,713	-
Other.....	<u>3,270</u>	<u>294</u>	<u>701</u>	<u>995</u>	<u>-</u>
Total Direct Cost.....	158,782	18,201	91,533	109,734	-
Indirect Cost.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Costs.....	158,782	18,201	91,533	109,734	-
Less: Program Income.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Cost.....	<u>\$ 158,782</u>	<u>\$ 18,201</u>	<u>\$ 91,533</u>	<u>\$ 109,734</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, 2020, 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 July 19, 2021.

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) as a basis for designing 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 Organization's 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 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*.

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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KLATZKIN & COMPANY_{LLP}

Hamilton, New Jersey
July 19, 2021