# Advantage Care Diagnostic and Treatment Center, Inc.

Financial Statements
Year Ended December 31, 2022

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

# Advantage Care Diagnostic and Treatment Center, Inc.

Financial Statements
Year Ended December 31, 2022

## Contents

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## Independent Auditor's Report

The Board of Directors
Advantage Care Diagnostic and Treatment Center, Inc.
Brookville, New York

### *Opinion*

We have audited the financial statements of Advantage Care Diagnostic and Treatment Center, Inc. (the Center), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Center as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an

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

In performing an audit in accordance with GAAS, we:

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

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

**Report on Summarized Comparative Information**

We have audited the Advantage Care Diagnostic and Treatment Center, Inc.'s 2021 financial statements and our report, dated May 20, 2022, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

May 31, 2023

## Advantage Care Diagnostic and Treatment Center, Inc.

### Statement of Financial Position
### (with comparative totals for 2021)

| *December 31,* | | 2022 | | 2021 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents | $ | **2,518,337** | $ | 2,150,758 |
| Investments, at fair value | | **3,502,472** | | 4,414,039 |
| Accounts receivable, net | | **715,849** | | 866,965 |
| Prepaid expenses and other current assets | | **611,694** | | 383,071 |
| **Total Current Assets** | | **7,348,352** | | 7,814,833 |
| **Fixed Assets, Net** | | **1,853,896** | | 1,899,442 |
| **Finance Lease Right-of-Use Assets, Net** | | **55,681** | | 72,473 |
| **Assets Held for Specific Purposes** | | **711,512** | | 708,924 |
| **Total Assets** | $ | **9,969,441** | $ | 10,495,672 |
| **Liabilities and Net Assets** | | | | |
| **Current Liabilities** | | | | |
| Accounts payable and accrued expenses | $ | **227,122** | $ | 242,097 |
| Accrued payroll and payroll-related expenses | | **786,876** | | 641,210 |
| Due to other organizations | | **7,679** | | 97,522 |
| Current portion of Paycheck Protection Program loan | | **-** | | 723,429 |
| Current portion of bond payable | | **125,000** | | 115,000 |
| Current portion of subvention loan payable | | **75,921** | | 72,949 |
| Current portion of finance lease liabilities | | **12,590** | | 16,182 |
| **Total Current Liabilities** | | **1,235,188** | | 1,908,389 |
| **Bond Payable,** net of deferred issuance costs and current portion | | **721,883** | | 841,438 |
| **Subvention Loan Payable,** net of current portion | | **444,415** | | 520,335 |
| **Reserve for Potential Liabilities** | | **444,288** | | 441,974 |
| **Finance Lease Liabilities,** net of current portion | | **22,178** | | 33,165 |
| **Deferred Compensation Payable** | | **492,849** | | 492,773 |
| **Total Liabilities** | | **3,360,801** | | 4,238,074 |
| **Commitments and Contingencies** | | | | |
| **Net Assets** | | | | |
| Without donor restrictions | | **6,608,640** | | 6,257,598 |
| **Total Liabilities and Net Assets** | $ | **9,969,441** | $ | 10,495,672 |

*See accompanying notes to financial statements.*

# Advantage Care Diagnostic and Treatment Center, Inc.

## Statement of Activities
## (with comparative totals for 2021)

| *Year ended December 31,* | **2022** | 2021 |
|---|---|---|
| | Without Donor Restrictions | |
| **Operating Revenues** | | |
| Service fee revenue, net | **$ 6,460,671** | $ 5,492,068 |
| 340b pharmacy revenue | **1,072,479** | 1,188,050 |
| Grant revenue | **937,197** | 219,185 |
| CARES Act funding | **-** | 10,727 |
| Other income | **401,384** | 253,151 |
| **Total Operating Revenues** | **8,871,731** | 7,163,181 |
| **Expenses** | | |
| Clinical services | **6,899,744** | 5,881,599 |
| Management and general | **1,650,204** | 1,526,234 |
| **Total Expenses** | **8,549,948** | 7,407,833 |
| **Change in Net Assets,** before non-operating activity | **321,783** | (244,652) |
| **Non-Operating Activity** | | |
| Contribution revenue | **29,589** | 30,046 |
| Forgiveness of debt | **723,429** | - |
| Investment (loss) income, net | **(723,759)** | 589,190 |
| **Non-Operating Income** | **29,259** | 619,236 |
| **Change in Net Assets** | **351,042** | 374,584 |
| **Net Assets,** beginning of year | **6,257,598** | 5,883,014 |
| **Net Assets,** end of year | **$ 6,608,640** | $ 6,257,598 |

*See accompanying notes to financial statements.*

# Advantage Care Diagnostic and Treatment Center, Inc.

## Statement of Cash Flows
## (with comparative totals for 2021)

| *Year ended December 31,* | | **2022** | | 2021 |
|---|---|---|---|---|
| **Cash Flows from Operating Activities** | | | | |
| Change in net assets | $ | **351,042** | $ | 374,584 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | | | |
| Depreciation and amortization | | **285,456** | | 284,645 |
| Forgiveness of debt | | **(723,429)** | | - |
| Interest expense related to deferred financing costs | | **5,445** | | 5,445 |
| Realized gain on investments | | **(152,733)** | | (199,197) |
| Unrealized loss (gain) on investments | | **967,851** | | (256,336) |
| (Increase) decrease in assets: | | | | |
| Accounts receivable | | **151,116** | | (92,218) |
| Prepaid expenses and other current assets | | **(228,623)** | | 93,634 |
| Increase (decrease) in liabilities: | | | | |
| Accounts payable and accrued expenses | | **(14,975)** | | (13,117) |
| Reserve for potential liabilities | | **2,314** | | (7,189) |
| Due to other organizations | | **(89,843)** | | 56,161 |
| Accrued payroll and payroll-related expenses | | **145,666** | | 123,074 |
| **Net Cash Provided by Operating Activities** | | **699,287** | | 369,486 |
| **Cash Flows from Investing Activities** | | | | |
| Purchases of fixed assets | | **(223,118)** | | (49,388) |
| Purchases of investments | | **(342,856)** | | (1,566,904) |
| Proceeds from sale of investments | | **439,305** | | 413,885 |
| **Net Cash Used in Investing Activities** | | **(126,669)** | | (1,202,407) |
| **Cash Flows from Financing Activities** | | | | |
| Principal payments of bond payable | | **(115,000)** | | (110,000) |
| Principal payments of subvention loan payable | | **(72,948)** | | (70,093) |
| Principal payments made on finance lease liabilities | | **(14,579)** | | (21,356) |
| **Net Cash Used in Financing Activities** | | **(202,527)** | | (201,449) |
| **Increase (Decrease) in Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents** | | **370,091** | | (1,034,370) |
| **Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents,** beginning of year | | **2,366,909** | | 3,401,279 |
| **Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents,** end of year | $ | **2,737,000** | $ | 2,366,909 |
| **Supplemental Disclosure of Cash Flow Information** | | | | |
| Cash paid for interest | $ | **91,324** | $ | 102,690 |

*See accompanying notes to financial statements.*

## 1. Description of Organization

### *Nature of Operations*

Advantage Care Diagnostic and Treatment Center, Inc. (the Center) is an Article 28 Federally Qualified Health Center (FQHC) that provides medical and mental health services in facilities located in Brookville and Freeport, New York. These services are provided by professional staff trained in clinical specialties, such as primary medical care, psychiatry, gynecology, dental care, podiatry, and neurology services. The Center specializes in the treatment of health care challenges faced by persons with developmental disabilities. The Center is supported primarily by service fees paid by the New York State Department of Health (NYSDOH), Medicare, and Medicaid. The Center's mental health services include the treatment of children and adults with autism and related developmental disabilities. Through comprehensive services in its Fay J. Lindner Center for Autism, the Center provides evaluations, behavioral therapy, individual psychotherapy, and psychopharmacology.

Upon becoming an FQHC in June 2015, the Center entered into a sub-recipient agreement with Hudson River HealthCare, Inc. (d/b/a Sun River Health) (HRHC). HRHC is a federally qualified network of community health centers throughout the Hudson Valley and Long Island. HRHC has been in operation for over 40 years and is a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code (IRC). As an FQHC and HRHC sub-recipient, the Center receives grants under Section 330 of the Public Health Service Act (PHS Act) and qualifies for enhanced reimbursement from Medicare and Medicaid, as well as other benefits. The Center provides comprehensive health care services to an underserved population, offers a sliding fee scale, and maintains an ongoing quality assurance program.

### *Affiliated Organizations*

Certain administrative services are provided to the Center by NYSARC, Inc. - Nassau County Chapter (AHRC Nassau), a non-controlled affiliated organization. These services are provided pursuant to the terms of a corporate and administrative services agreement and include, but are not limited to, leadership consulting, purchasing, accounts payable, payroll, human resources, accounting, budgeting, and financial reporting. The Center incurred management fees of $469,843 for the year ended December 31, 2022.

The Center leases approximately 10,300 square feet in its Brookville, New York location from Community Services Support Corporation (CSSC). Nassau County AHRC Foundation Inc. (the Foundation), a non-controlled affiliated organization of the Center, is the sole member of CSSC.

The Center leases approximately 4,340 square feet in its Freeport, New York facility from Nassau Community Mental Retardation Services, Inc. (NCMRS). AHRC Nassau is the sole member of NCMRS.

See Note 16 for further discussion of these leases.

The Center has a revolving bank line of credit, which is secured by the assets of the Center and guaranteed by the Foundation (see Note 8).

## 2. Summary of Significant Accounting Policies

***Basis of Presentation***

The financial statements have been prepared on the accrual basis of accounting. In the statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

***Financial Statement Presentation***

The classification of a not-for-profit organization's net assets and its support, revenue, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets—with donor restrictions and without donor restrictions—be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

*Without Donor Restrictions* – This class consists of net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operations of the Center.

*With Donor Restrictions* – This class consists of assets whose use is limited by donor-imposed, time, and/or purpose restrictions. The Center reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires—that is, when a stipulated time restriction ends, or purpose restriction is accomplished—the net assets are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature), while permitting the Center to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board-approved spending policy. At December 31, 2022, the Center did not have any net assets with donor restrictions held in perpetuity.

***Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents***

The Center considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. The Center maintains its operating cash accounts in one bank.

Cash, cash equivalents, restricted cash, and restricted cash equivalents consist of the following:

| *December 31, 2022* | | |
|---|---|---|
| Cash and cash equivalents | $ | 2,518,337 |
| Assets held for specific purposes | | 218,663 |
| | $ | 2,737,000 |

Assets held for specific purposes in the table above reflect only the cash and cash equivalents portion of the total balance of assets held for specific purposes related to the Debt Service Reserve Fund and the Bond Funds. See Note 6 for further information.

***Fair Value Measurement***

Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as the Center would use in pricing the Center's asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the Center are traded. The Center estimates the price of any asset or liability for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets or liabilities would use as determined by the money managers for each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable, as follows:

*Level 1* - Valuation is based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

*Level 2* - Valuations are based on: (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in inactive markets, (c) inputs other than quoted prices that are observable for the asset or liability, and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* - Valuation is based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

***Investments, at Fair Value***

Investments are recorded at their fair values. Realized and unrealized gains or losses from investments are reported in the statement of activities and changes in net assets as increases or decreases in net assets without donor restrictions.

***Accounts Receivable, Net***

Accounts receivable, net, are recorded at the reimbursable or contracted amount and do not bear interest. Billings for services are included in revenue net of allowances for contractual discounts and implicit price concessions for differences between the amounts billed and estimated price concessions for differences between the amounts billed and estimated program payment amounts. Adjustments to the estimated payment amounts that are expected to be received upon final settlement with the payors are reviewed at the end of each reporting period and upon final settlement and recorded as an adjustment to revenue. In evaluating the collectability of accounts receivable, the Center analyzes its past history and identifies trends for each of its major payor sources to estimate the appropriate transaction price, allowance for credit losses, and provision for bad debts. Management regularly reviews data about these major payor sources in evaluating the sufficiency of the allowance for credit losses. Actual results could differ from those estimates.

***Fixed Assets, Net***

Fixed assets, net, are recorded at cost, less accumulated depreciation and amortization. The Center capitalizes fixed assets that have a cost of $5,000 or more and useful life of more than a year. Depreciation and amortization is recorded over the estimated useful lives of the assets by the straight-line method for financial reporting, as follows:

| Asset Category | Years |
|---|---|
| Equipment | 5-12 |

Leasehold improvements are amortized over the shorter of their useful lives or the remainder of the lease period and capitalized interest is amortized over the life of the related debt.

***Impairment of Long-Lived Assets***

The Center reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2022, there have been no such losses.

***Revenue Recognition***

*Service Fee Revenue, Net*

Service fee revenue, net, is generated from providing medical services to individuals with developmental disabilities and is reported at the amount that reflects the consideration to which the Center expects to be entitled in exchange for services rendered. These amounts are due from patients and third-party payors (including health insurers) and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Center bills the patient or third-party payors several days after services have been rendered. Revenue is recognized as the performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Center. The Center’s contracts related to service fee revenue, net, typically only have one performance obligation.

The Center determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors and implicit price concessions to uninsured patients. The Center determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Center determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Laws and regulations concerning medical services are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Center's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Center. In addition, the contracts the Center has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing care to the Center's patients. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Center's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known—that is, as new information becomes available—or as years are settled or are no longer subject to such audits, reviews, and investigations.

Generally, the initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to service fee revenue, net, upon final settlement or at the end of each reporting period. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense in the period that determination is made.

Revenue for performance obligations satisfied over time is recognized based on actual timing of services provided and actual charges incurred. The Center believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving services in the Center's clinics. The Center measures the performance obligation from the commencement of services provided, to the point when it is no longer required to provide services to that patient, which is generally at the completion of services provided.

As a practical expedient, the Center utilizes the portfolio approach for analyzing the revenue contracts in accordance with ASC 606. The Center accounts for the contracts within each portfolio collectively, rather than individually, based on each revenue stream. The Center considers the similar nature and characteristics of the contract and customers in using the portfolio approach. The Center believes that the use of the portfolio approach to analyze contracts will not differ materially than if the contracts were analyzed individually.

The following table shows the Center's service fee revenue, net, disaggregated by payor:

| *Year ended December 31, 2022* | | |
|---|---|---|
| Medicaid | $ | 2,321,825 |
| Fully Integrated Duals Advantage | | 1,128,525 |
| Medicare | | 2,002,279 |
| Commercial insurance/self-pay | | 1,008,042 |
| | $ | 6,460,671 |

*340b Pharmacy Revenue*

The Center participates in Section 340b of the PHS Act, *Limitation on Prices of Drugs Purchased by Covered Entities*, through its agreement with certain unaffiliated pharmacies. Participation in this program allows the Center to purchase pharmaceuticals at discounted rates for prescriptions to eligible patients.

The Center's performance obligations in relation to 340b pharmacy revenue consist primarily of pharmacy sales that occur as the patient purchases the prescription; as such, there were no unsatisfied or partially unsatisfied performance obligations at the end of the reporting period. The Center recognizes pharmacy revenue over time as performance obligations are satisfied. Performance obligations are satisfied as prescriptions are dispensed. The Center determines the transaction price based on standard charges for prescriptions provided.

The Center recognized pharmacy 340b pharmacy revenue of $1,072,479 for the year ended December 31, 2022.

*Contributions*

Contributions and promises to give are recorded as revenue at the time they are made or pledged unconditionally and supported by a written commitment. Contributions are classified as either with or without donor restrictions. Contributions are nonexchange transactions in which no commensurate value is exchanged. Therefore, contributions fall under the purview of ASC Topic 958, *Not-for-Profit Entities*.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met.

***Functional Allocation of Expenses***

The majority of expenses can generally be directly identified with clinical or supporting services to which they relate and are allocated accordingly. Other expenses have been allocated among clinical and supporting service classifications. These expenses include depreciation and amortization, utilities, information technology, and facilities operations and maintenance. Depreciation and amortization are allocated based on square footage and interest expense is allocated based on usage of space. Costs of other categories were allocated on estimates of time and effort.

### *Concentration of Credit Risk*

Financial instruments that potentially subject the Center to concentration of credit risk consist primarily of cash and cash equivalents. At times, the Center has cash deposits at financial institutions that exceed the Federal Deposit Insurance Corporation insurance limits. None of the Center's deposits are held in financial institutions that have experienced liquidity issues. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

### *Use of Estimates*

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

### *Income Taxes*

The Center qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the IRC, and as a not-for-profit organization under the laws of New York State. Accordingly, no provision for federal or state income taxes is required. There was no unrelated business income from an unrelated trade or business for 2022.

The Center adopted the provisions of ASC 740, *Accounting for Uncertainty in Income Taxes*. Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained. The implementation of ASC 740 had no impact on the Center's financial statements. The Center does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. The Center has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Center has filed Internal Revenue Service Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended December 31, 2022, there were no interest or penalties recorded or included in the statement of activities. The Center is subject to routine audits by taxing authorities. As of December 31, 2022, the Center was not subject to any examination by a taxing authority.

### *Comparative Financial Information*

The financial statements include certain prior-year summarized comparative information. With respect to the statement of financial position and statement of activities, the prior-year information is presented in total, not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

***Risks and Uncertainties - Investments***

The Center's investments are concentrated in marketable equity securities and funds that invest in marketable equity securities. Such securities are subject to various risks that determine the value of the funds. Due to the level of risk associated with certain equity securities and the level of uncertainty related to changes in the value of these securities, it is at least reasonably possible that changes in market conditions in the near term could materially affect the value of investments reported in the financial statements.

***Performance Indicator***

The statement of activities includes the change in net assets before non-operating activity as the performance indicator. Changes in net assets without donor restrictions that are included in the performance indicator include net assets released from restrictions.

***Accounting Pronouncements Issued but Not Yet Adopted***

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new credit losses standard changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, contract assets recognized as a result of applying ASC 606, loans, and certain other instruments, entities will be required to use a new forward-looking "expected loss" model that generally will result in earlier recognition of credit losses than under today's incurred loss model. ASU 2016-13 is effective for annual periods beginning after December 15, 2022. The Center is currently evaluating the impact of this ASU on its financial statements and footnote disclosures.

## 3. Liquidity and Availability of Resources

The Center's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

| *Year ended December 31, 2022* | | |
|---|---|---|
| Cash and cash equivalents | $ | 2,518,337 |
| Investments, at fair value | | 3,502,472 |
| Accounts receivable, net | | 715,849 |
| **Total Financial Assets Available to Management for General Expenditure Within One Year** | $ | 6,736,658 |

As part of the Center's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Center invests cash in excess of daily requirements in short-term investments. The Center has an investment committee, reporting to its Board of Directors, which provides guidance with respect to appropriate management of its investments. To help manage unanticipated liquidity needs, the Center has an available line of credit in the amount of $1 million.

## 4. Assets, at Fair Value

Assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2 for a discussion of the Center's policies regarding this hierarchy.

The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Center's assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy levels. A description of the valuation techniques applied to the Center's assets measured at fair value is as follows:

*Common Stocks, Stock Index Funds, and International Stocks* - These investments are carried at their aggregate market value, as determined by quoted market prices. These investments are classified as Level 1.

*Mutual Funds* - The Center has investments in publicly traded mutual funds, which are carried at their aggregate market value, as determined by quoted market prices. These investments are classified as Level 1.

*Guaranteed Investment Contract* - The Center has an investment in a guaranteed investment contract. The investment is stated at contract value, which approximates fair value. The contract value equals the accumulated cash contributions, interest credited to the account, and transfers, if any, less any withdrawals and transfers. These investments are classified as Level 2.

Assets at fair value are as follows:

*December 31, 2022*

| | Fair Value Measurement at Reporting Date Using | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3) | Balance |
| Investments, at fair value: | | | | |
| Common stocks | $ 515,834 | $ - | $ - | $ 515,834 |
| Stock index funds | 2,250,190 | - | - | 2,250,190 |
| Mutual funds | 736,448 | - | - | 736,448 |
| **Total Investments,** at fair value | 3,502,472 | - | - | 3,502,472 |
| **Assets Held for Specific Purpose,** at fair value: | | | | |
| Mutual funds | 362,947 | - | - | 362,947 |
| Guaranteed investment contract | - | 129,902 | - | 129,902 |
| **Total Assets Held for Specific Purpose,** at fair value | 362,947 | 129,902 | - | 492,849 |
| **Total** | $ 3,865,419 | $ 129,902 | $ - | $ 3,995,321 |

There have been no changes in the methodologies used at December 31, 2022. There were no transfers between levels during the year ended December 31, 2022.

Investment loss, net, consists of the following:

| *Year ended December 31, 2022* | | |
|---|---|---|
| Interest and dividends | $ | 96,088 |
| Realized gains | | 152,733 |
| Unrealized losses | | (967,851) |
| Less: direct investment expenses | | (4,729) |
| | $ | (723,759) |

## 5. Accounts Receivable, Net

Accounts receivable, net, consists of the following:

| *December 31, 2022* | | |
|---|---|---|
| Medicare | $ | 146,892 |
| Medicaid | | 343,070 |
| Commercial insurance/self-pay | | 225,887 |
| **Total** | $ | 715,849 |

## 6. Assets Held for Specific Purposes

As of December 31, 2022, assets held for specific purposes amounted to $711,512 and consisted of the following:

*Debt Service Reserve Fund* – This fund was established for the purpose of assuring that the Center will have sufficient funds available for bond debt service payments in each year that the bonds are outstanding. Amounts held in the Debt Service Reserve Fund may be used to offset required deposits into the Bond Funds. As of December 31, 2022, the Debt Service Reserve Fund amounted to $185,838.

*Bond Funds* – The Center is required to make payments into the Bond Funds in accordance with the bond amortization schedule for the purpose of satisfying the principal and interest payments of the bonds. The Center is required to make interest deposits into the Bond Funds based on ¼ of the scheduled interest per the bond amortization schedule. With respect to principal payments, the Center is required to make one deposit of principal annually per the bond amortization schedule. As of December 31, 2022, the Bond Funds amounted to $32,825.

The foregoing funds were established per the requirements of the Nassau County Industrial Agency (IDA) bond issuance (see Note 10).

*457(b) Plan* - The Center maintains a non-qualified 457(b) deferred compensation plan (the Plan) for certain employees. Pursuant to the Plan agreement, the Plan's assets are considered general assets and liabilities of the Center until the assets are distributed to the respective beneficiaries. As a result, the Plan's net assets available for benefits of $492,849 as of December 31, 2022 are classified as components of assets held for specific purposes and deferred compensation payable in the Center's statement of financial position.

## 7. Fixed Assets, Net

Fixed assets, net, consist of the following:

| *December 31, 2022* | | |
|---|---|---|
| Equipment | $ | 1,938,121 |
| Leasehold improvements | | 4,541,313 |
| Capitalized interest | | 198,917 |
| Construction in progress | | 55,535 |
| | | 6,733,886 |
| Less: accumulated depreciation and amortization | | (4,879,990) |
| | $ | 1,853,896 |

Depreciation and amortization expense for the year ended December 31, 2022 related to fixed assets approximated $269,000 and is included as a component of depreciation and amortization in Note 15.

## 8. Line of Credit - Bank

The Center has an uncommitted discretionary demand line of credit under which a maximum amount of $1 million can be borrowed solely for working capital, with interest payable monthly at the prevailing prime interest rate (such rate being 7.50% as of December 31, 2022). The line of credit is secured by the assets of the Center and is guaranteed by the Foundation. As of December 31, 2022, there were no amounts outstanding under this line of credit. The Center is required to maintain net assets without donor restrictions of at least $2 million, measured annually as of each December 31. The continuing availability and amount of the line of credit shall at all times be as determined by the lender. The agreement can be terminated at any time by either the Center or the lender.

## 9. Due to Other Organizations

The amount of $7,679 due to other organizations as of December 31, 2022 consists primarily of amounts payable to AHRC Nassau for a portion of management fees, as described in Note 1, and other shared costs.

## 10. Bond Payable, Net

In June 2003, the Center entered into a long-term debt agreement with the IDA to fund capital costs of its Brookville, New York facility. The debt agreement, which expires on September 1, 2028, consists of Civic Facility Revenue Bonds that were issued by the IDA in the original amount of $2,227,000. Of that amount, $57,000 of taxable principal expired on September 1, 2008 and $2,170,000 of tax-exempt principal will expire on September 1, 2028. The bond amortization is based on annual payments of principal and quarterly payments of interest at the rate of 7.00% per annum for the tax-exempt bonds.

The bond proceeds are held by U.S. Bank N.A., which maintains trustee responsibilities for the bond series. These funds were used for acquisition and renovations of the leased facilities and debt service repayments.

U.S. Bank N.A. has a lien on, and security interest in, the facilities, property, equipment, and furnishings in addition to the rents, issues, and profits generated by the facility.

The bond payable at December 31, 2022 was $846,883. Interest expense related to bonds payable for the year ended December 31, 2022 was approximately $67,000.

Future minimum bond payments are approximately as follows:

| *Year ending December 31,* | | |
|---|---|---|
| 2023 | $ | 125,000 |
| 2024 | | 135,000 |
| 2025 | | 140,000 |
| 2026 | | 150,000 |
| 2027 | | 160,000 |
| Thereafter | | 175,000 |
| | | 885,000 |
| Less: | | |
| Unamortized portion of deferred issuance costs | | (38,117) |
| Current portion | | (125,000) |
| | $ | 721,883 |

## 11. Subvention Loan Payable

In February 2014, the Center entered into a subvention loan agreement with the Foundation. Under the terms of the subvention agreement, the Center may borrow up to $1.1 million pursuant to a promissory note payable for a period of 15 years. Interest is payable monthly at the rate of ⅔ of the maximum interest rate authorized from time to time pursuant to Section 5-501 of the New York General Obligations Law (such rate being 16% per annum for the year ended December 31, 2022) or 5.0% per annum, whichever is lower. Proceeds from this loan were used to add the Freeport clinic location, which opened in November 2014, including the costs of construction, equipment, furniture, and fixtures. Interest expense related to the subvention loan payable for the year ended December 31, 2022 was approximately $22,000.

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Future minimum loan payments are as follows:

| *Year ending December 31,* | | |
|---|---|---|
| 2023 | $ | 75,921 |
| 2024 | | 79,014 |
| 2025 | | 82,233 |
| 2026 | | 85,584 |
| 2027 | | 89,070 |
| Thereafter | | 108,514 |
| | | 520,336 |
| Less: current portion | | (75,921) |
| | $ | 444,415 |

## 12. Small Business Administration - Paycheck Protection Program Loan

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was enacted. The CARES Act, among other things, appropriated funds for the Small Business Administration (SBA) Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment. On April 27, 2020, the Center received funds of $723,429 from the SBA PPP. In March 2022, the Center received full forgiveness in the amount of $723,429 of their PPP loan from their lender and the SBA. The application for these PPP loan funds required the Center to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Center. This certification further required the Center to take into account its current business activity and ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Center having initially qualified for the loan and qualifying for the forgiveness of such loan based on its future adherence to the forgiveness criteria. The forgiveness of this loan has been included in forgiveness of debt on the accompanying statement of activities.

## 13. Reserve for Potential Liabilities

The Center generates revenues funded by government and other third-party payors and is subject to periodic audits by such payors. The Center has a reserve for third-party payor liability as of December 31, 2022 of $444,288. Based on its assessment of amounts collected for services provided, management believes its estimated third-party payor liability is adequate as of December 31, 2022.

## 14. Retirement Expense

A defined contribution plan, as defined by IRC Section 403(b), is offered to all employees who have attained the age of 20 ½ years, have completed six months of service at the beginning of the contribution period, and have 1,000 hours of credited service. Employer contributions were approximately $137,000, or 3% of total eligible salaries, for all employees covered under this plan, and are included as a component of salaries and related taxes and benefits in Note 15 for the year ended December 31, 2022.

## 15. Functional Expenses

Operating expenses have been determined by management to be either project-related or administrative expenses. The Center's operating expenses grouped by functional and natural classification are as follows:

*Year ended December 31, 2022*

| | Clinical Services | Management and General | Total |
|---|---|---|---|
| Salaries and related taxes and benefits | $ 4,507,479 | $ 921,024 | $ 5,428,503 |
| Contracted services | 262,500 | 11,459 | 273,959 |
| Interest | 91,324 | 5,445 | 96,769 |
| Depreciation and amortization | 268,338 | 17,118 | 285,456 |
| Management fee | - | 469,843 | 469,843 |
| Repairs and maintenance | 580,824 | 22,823 | 603,647 |
| Medical supplies | 208,256 | - | 208,256 |
| 340b pharmacy program dispensing and administration fees | 306,255 | - | 306,255 |
| Professional fees | 3,080 | 83,539 | 86,619 |
| Other | 671,688 | 118,953 | 790,641 |
| | $ 6,899,744 | $ 1,650,204 | $ 8,549,948 |

## 16. Leases

The Center has adopted the provisions of ASC 842, *Leases*. For leases with initial terms of greater than one year, the Center records the related right-of-use assets and liabilities at the present value of the remaining lease payments to be paid over the life of the related lease. Lease payments related to periods subject to renewal options are excluded from the amounts used to determine the present value of the remaining lease payments unless the Center is reasonably certain to exercise the option to extend the lease. The leases are for various durations through December 31, 2063. The leases require monthly payments of principal and interest at a rate of 3.25% per annum. The present value of the lease payments is calculated by utilizing the discount rate stated in the lease, when readily determinable. For leases for which a discount rate is not readily available, the Center has elected to use the incremental borrowing rate based on the information available at the lease inception date. The Center has made an accounting policy election not to separate lease components from non-lease components in contracts when determining its lease payments for all of its asset classes, as permitted by ASC 842. As such, the Center accounts for the applicable non-lease components together with the related lease components when determining the right-of-use assets and liabilities. The Center has made an accounting policy election not to record leases with an initial term of less than one year as right-of-use assets and liabilities in the statement of financial position.

The Center leases various buildings under finance leases with CSSC and NCMRS. These leases are deemed to be finance leases based on the underlying terms of the agreement and the criteria included in ASC 842.

The following tables summarize information related to the lease assets and liabilities:

| *Year ended December 31, 2022* | | |
|---|---|---|
| Lease costs: | | |
| Finance lease cost: | | |
| Amortization of right-of-use assets | $ | 16,792 |
| Interest on lease liabilities | | 1,604 |
| **Total Lease Costs** | $ | 18,396 |

| *December 31, 2022* | | |
|---|---|---|
| Right-of-use assets and liabilities: | | |
| Finance lease right-of-use assets, net | $ | 55,681 |
| Finance lease liabilities | | 34,768 |

| *Year ended December 31, 2022* | | |
|---|---|---|
| Other information: | | |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from finance leases | $ | 14,579 |
| Weighted-average remaining lease term – finance leases | | 30.90 years |
| Weighted-average discount rate – finance leases | | 3.25% |

For finance leases, right-of-use assets are recorded in finance lease right-of-use assets, net, and lease liabilities are recorded in finance lease liabilities in the accompanying statement of financial position. Amortization expense is recorded as a component of depreciation and amortization expense in Note 15. Interest expense is recorded as a component of interest expense in Note 15.

The following is a schedule of future minimum lease payments, including interest, under the term of the leases, together with the present value of the net minimum lease payments, as of December 31, 2022:

| *Year ending December 31,* | | |
|---|---|---|
| 2023 | $ | 12,590 |
| 2024 | | 12,145 |
| 2025 | | 4,342 |
| 2026 | | 4,192 |
| 2027 | | 4,167 |
| **Total Minimum Lease Payments** | | 37,436 |
| Less: amounts representing interest | | (2,668) |
| **Present Value of Net Minimum Lease Payments** | | 34,768 |
| Less: current portion | | (12,590) |
| | $ | 22,178 |

## 17. New York State Health Care and Mental Hygiene Worker Bonus Program

In 2022, the NYSDOH established the New York State Health Care and Mental Hygiene Worker Bonus Program (the HWB Program) for the payment of bonuses for certain frontline health care workers. The HWB Program allows for the payment of bonuses to recruit, retain and reward health care workers who met specified eligibility requirements. Bonus amounts are commensurate with the number of hours worked by each eligible employee during designated vesting periods for up to a maximum amount of $3,000 per eligible employee. Qualified employers are required to claim their bonus on behalf of their eligible employees. Both the qualified employers and eligible employees are required to submit an attestation form.

During the year ended December 31, 2022, the Center received $30,680 from the HWB Program. As of December 31, 2022, all funds received under the HWB Program were distributed to eligible employees. The funds received under the HWB Program were accounted for as an agency transaction in accordance with ASC 958-605. As such, no revenues or expenditures are recognized in the accompanying statement of activities for the HWB Program.

## 18. Commitments and Contingencies

***Legal Matters***

The Center is a party to certain routine legal actions and complaints arising in the ordinary course of business. Management is unable to determine at this time the likelihood of the outcomes. In the opinion of management, all such matters are adequately covered by insurance.

## 19. Subsequent Events

The Center has performed subsequent events procedures through May 31, 2023, which is the date that the financial statements were available to be issued. There were no other subsequent events requiring adjustment to the financial statements or disclosures as stated herein.