



**AGAPE COMMUNITY HEALTH CENTER, INC.**

**Report on Audit of Financial Statements,  
Supplemental Information and Report**

**For the Years Ended December 31, 2023 and 2022**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of the Agape Community  
Health Center, Inc.  
Jacksonville, Florida

**Report on the Audit of the Financial Statements**

***Opinion***

I have audited the accompanying financial statements of Agape Community Health Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Agape Community Health Center, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

I conducted my audits 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Agape Community Health Center, Inc. and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

***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 Agape Community Health Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- 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 Agape Community Health Center, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Agape Community Health Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

### ***Supplementary Information***

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Source and Expenditures of City Grant Funds is also presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards and the Schedule of Source and Expenditure of City Grant Funds are fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated December 18, 2024, on my consideration of Agape Community Health Center, Inc.'s internal control over financial reporting and on my 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 my 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 Agape Community Health Center, 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 Agape Community Health Center, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in purple ink that reads "Darryl R. Jackson, CPA, P.A.".

Darryl R. Jackson, CPA, P.A.  
Jacksonville, Florida  
December 18, 2024

**AGAPE COMMUNITY HEALTH CENTER, INC.**Statements of Financial Position  
As of December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 6,059,807	\$ 2,077,599
Patient services receivable, net (Note 3)	577,229	638,496
Grant receivables, net (Note 4)	667,180	658,860
Prepaid expenses and other current assets	<u>23,725</u>	<u>195,805</u>
Total current assets	7,327,941	3,570,760
Property and Equipment, Net Note 5)	1,116,350	832,143
<b>Other Assets</b>		
Construction in Progress (Note 7)	-	164,147
Right of use assets, net (Note 8)	<u>812,771</u>	<u>365,580</u>
Total Assets	<u>\$ 9,257,062</u>	<u>\$ 4,932,630</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities	\$ 571,571	\$ 63,278
Accrued salaries and wages	463,550	188,476
Accrued compensated absences (Note 9)	147,873	158,201
Unearned revenue	342,491	-
Current portion of lease obligations (Note 8)	<u>251,780</u>	<u>189,805</u>
Total current liabilities	1,777,265	599,760
<b>Long-Term Liabilities</b>		
Long-term portion of lease obligations (Note 8)	566,020	175,775
<b>Net assets</b>		
Without donor restrictions	<u>6,913,777</u>	<u>4,157,095</u>
Total Liabilities and net assets	<u>\$ 9,257,062</u>	<u>\$ 4,932,630</u>

*See accompanying notes to financial statements*

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
**Statements of Activities and Changes in Net Assets**  
**For the Years Ended December 31, 2023 and 2022**

	2023	2022
<b>Support and Revenue:</b>		
Support:		
Grant revenue	\$ 6,367,181	\$ 8,442,511
Fundraising income	-	15,975
Contributions and donations	42,240	142,326
Total support	6,409,421	8,600,812
Revenue:		
Net patient service revenues	4,263,134	3,776,526
Provision for bad debts	452,653	(45,191)
Net revenues less provision for bad debts	4,715,787	3,731,335
Pay for performance income	3,035,169	357,680
Other income	181,465	185,300
Gain on sale of assets	75,000	-
Interest income	1,698	396
Total revenues	8,009,119	4,274,711
Total support and revenue	14,418,540	12,875,523
<b>Expenses:</b>		
Program services:		
Healthcare services	10,864,331	10,922,488
Supporting services:		
Administrative	797,527	825,004
Fundraising	-	17,695
Total expenses	11,661,857	11,765,187
Change in net assets	2,756,683	1,110,336
<b>Net Assets:</b>		
Without donor restrictions		
Beginning of year	4,157,094	3,046,758
End of year	\$ 6,913,777	\$ 4,157,094

*See accompanying notes to financial statements*

**AGAPE COMMUNITY HEALTH CENTER, INC.**

Statement of Functional Expenses  
For the year ended December 31, 2023

	Healthcare	Support Services		2023
	<u>Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Expenses</u>
<b>Personnel Services:</b>				
Salaries	\$ 4,762,324	\$ 333,510	\$ -	\$ 5,095,834
Payroll taxes	355,743	19,937	-	375,680
Fringe benefits	318,121	79,530	-	397,652
Total Personnel Services	<u>5,436,188</u>	<u>432,978</u>	<u>-</u>	<u>5,869,166</u>
<b>Building Occupancy:</b>				
Lease expense	332,344	36,927	-	369,271
Utilities	54,589	6,065	-	60,655
Repairs and maintenance	67,147	7,461	-	74,608
Total Building Occupancy	<u>454,081</u>	<u>50,453</u>	<u>-</u>	<u>504,534</u>
<b>Professional Services:</b>				
Physicians	398,219	-	-	398,219
Interpetors	155,936	-	-	155,936
Non-Clinical	1,333,817	-	-	1,333,817
Total Medical Fees	<u>1,887,973</u>	<u>-</u>	<u>-</u>	<u>1,887,973</u>
<b>Professional fees:</b>				
Lobbying	-	36,045	-	36,045
Accounting	-	162,845	-	162,845
Other	488,242	-	-	488,242
Total Professional Fees	<u>488,242</u>	<u>198,890</u>	<u>-</u>	<u>687,132</u>
Total Professional Services	<u>2,376,214</u>	<u>198,890</u>	<u>-</u>	<u>2,575,104</u>
<b>Other Operating Expenses:</b>				
Meetings, training and travel	35,744	11,816	-	47,560
Office and software expenses	871,564	35,605	-	907,169
Advertising	328,487	-	-	328,487
Insurance	142,300	-	-	142,300
Interest	-	21,609	-	21,609
Telephone	268,368	21,375	-	289,743
Supplies	498,211	-	-	498,211
Marketing and recruitment	-	24,800	-	24,800
Clinical services	150,327	-	-	150,327
Other expenses	73,182	-	-	73,182
Total Other Operating Expenses	<u>2,368,183</u>	<u>115,205</u>	<u>-</u>	<u>2,483,388</u>
Total before depreciation and amortization	<u>10,634,665</u>	<u>797,527</u>	<u>-</u>	<u>11,432,191</u>
Depreciation and amortization	<u>229,666</u>	<u>-</u>	<u>-</u>	<u>229,666</u>
Total Expenses	<u>\$ 10,864,331</u>	<u>\$ 797,527</u>	<u>\$ -</u>	<u>\$ 11,661,857</u>

*See accompanying notes to financial statements*

**AGAPE COMMUNITY HEALTH CENTER, INC.**

Statement of Functional Expenses

For the year ended December 31, 2022

	Healthcare	Support Services		2022
	<u>Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Expenses</u>
Personnel Services:				
Salaries	\$ 4,533,860	\$ 371,215	\$ -	\$ 4,905,075
Payroll taxes	338,155	28,398	-	366,553
Fringe benefits	139,509	34,877	-	174,386
Total Personnel Services	<u>5,011,524</u>	<u>434,490</u>	<u>-</u>	<u>5,446,014</u>
Building Occupancy:				
Lease expense	277,599	30,844	-	308,443
Utilities	22,349	2,483	-	24,832
Repairs and maintenance	133,238	14,804	-	148,042
Total Building Occupancy	<u>433,186</u>	<u>48,132</u>	<u>-</u>	<u>481,317</u>
Professional Services:				
Physicians	2,070,732	-	-	2,070,732
Interpetors	98,393	-	-	98,393
Non-Clinical	733,738	-	-	733,738
Total Professional Services	<u>2,902,864</u>	<u>-</u>	<u>-</u>	<u>2,902,864</u>
Professional fees:				
Lobbying	-	36,200	-	36,200
Accounting	-	57,240	-	57,240
Other	190,449	-	-	190,449
Total Professional Fees	<u>190,449</u>	<u>93,440</u>	<u>-</u>	<u>283,890</u>
Total Professional Services	<u>3,093,313</u>	<u>93,440</u>	<u>-</u>	<u>3,186,753</u>
Other Operating Expenses:				
Meetings, training and travel	26,727	14,216	-	40,943
Office and software expenses	1,082,427	180,691	17,695	1,280,813
Advertising	49,307	-	-	49,307
Insurance	98,337	-	-	98,337
Interest	-	25,713	-	25,713
Telephone	166,607	14,444	-	181,051
Supplies	451,263	-	-	451,263
Marketing and recruitment	-	13,878	-	13,878
Clinical services	293,158	-	-	293,158
Other expenses	21,223	-	-	21,223
Loss on disposal of assets	-	-	-	-
Total Other Operating Expenses	<u>2,189,049</u>	<u>248,942</u>	<u>17,695</u>	<u>2,455,686</u>
Total before depreciation and amortization	<u>10,727,072</u>	<u>825,004</u>	<u>17,695</u>	<u>11,569,771</u>
Depreciation and amortization	195,416	-	-	195,416
Total Expenses	<u>\$ 10,922,488</u>	<u>\$ 825,004</u>	<u>\$ 17,695</u>	<u>\$ 11,765,187</u>

*See accompanying notes to financial statements*

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
**Statements of Cash Flows**  
For the years ended December 31, 2023 and 2022

	2023	2022
<b>Operating Activities</b>		
Increase in the change net assets	\$ 2,756,682	\$ 1,110,336
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Provision for bad debts	(452,653)	45,190
Depreciation and amortization	229,666	195,416
Gain on sale of vehicle	(75,000)	-
Operating lease non-cash expense	(454,991)	(372,164)
Changes in operating assets and liabilities:		
Patient services receivable	513,920	(550,126)
Grants recievables	(8,320)	492,943
Prepaid expenses and other current assets	172,080	28,845
Accounts payable and other current liabilities	508,293	(356,169)
Accrued salaries and wages	275,074	(12,466)
Accrued compensated absences	(10,328)	(8,312)
Unearned revenue	342,491	-
Operating lease obligations	459,780	356,486
Net cash provided by operating activities	4,256,694	929,979
<b>Investing Activities</b>		
Increase in building improvements	(453,507)	(26,513)
Increase in equipment	(52,566)	-
Sale of vehicle	75,000	-
Decrease (increase) in construction in process	164,147	(149,700)
Net cash used in investing activities	(266,926)	(176,213)
<b>Financing Activities</b>		
Finance lease obligations	(7,560)	9,094
Net cash from financiing activities	(7,560)	9,094
Increase in cash and cash equivalents	3,982,208	762,860
Cash and Cash Equivalents, Beginning	2,077,599	1,314,739
Cash and Cash Equivalents, Ending	\$ 6,059,807	\$ 2,077,599
Interest expense paid	\$ 21,609	\$ 25,713
Operating lease right-of-use asset recognized at inception in exchange for operating lease liabilities	\$ 992,112	\$ 608,736

*See accompanying notes to financial statements*

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
Notes to Financial Statements  
For the years ended December 31, 2023 and 2022

**NOTE 1: ORGANIZATION**

Agape Community Health Center, Inc. (the "Organization") was incorporated in the State of Florida in April of 2016 as a nonprofit corporation. The Organization provides outpatient health care services and qualifies as a Federally Qualified Health Center (FQHC). The Organization is principally funded through payments from Medicare, Medicaid, private insurance and patients. Funding is also obtained through support provided by the U.S. Department of Health and Human Services (HHS), Health Resource and Services Administration (HRSA) and through other third-party grants and contributions.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting, in accordance with accounting standards generally accepted in the United States of America (GAAP).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on management's knowledge and experience. Accordingly, actual results may differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit in banks and invested in liquid assets with maturities of less than three months when acquired. The Organization maintains its cash in bank deposit accounts and liquid assets, which, at times, may exceed Federal Deposit Insurance Corporation ("FDIC") insured limits of \$250,000.

Patient Services Receivable, Net

Patient accounts receivables are reported at their outstanding unpaid balances reduced by contractual adjustments and discounts (explicit price concessions) and estimated implicit price concessions relating to allowance for the excess of established charges over the payments to be received by or on behalf of patients. The Organization determines its estimate of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience.

Patient accounts receivable balances are further reduced by an allowance for current expected credit losses. The Organization has adopted the Accounting Standards Codification (ASC) 326, *Financial Instruments – Credit Losses* (ASC 326), model in its financial statements for the year ended December 31, 2023.

In evaluating the collectability of patient accounts receivable, the Organization analyzes its past history, future projections, and identifies trends for each of its major payor sources to estimate the appropriate transaction price, allowance for credit losses, and provisions for credit losses. Management regularly reviews data about these major payor sources in evaluating the sufficiency of the allowance for credit losses. In accordance with ASC 326, the Organization determined that similar risk characteristics existed for receivables with similar days outstanding within each payor class, so the pools for the allowance for credit losses were calculated based on aging buckets for each payor class. This is consistent with the Organization's previous methodology for calculating the allowance for doubtful accounts.

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
Notes to Financial Statements  
For the years ended December 31, 2023 and 2022

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Grants Receivable

Grants receivable represent amounts owed to the Organization from federal, state, and local governments for services rendered under contractual obligations and grants from corporations and foundations. All outstanding grants receivable are expected to be collected within one year and are considered collectible and an allowance for uncollectible amounts was not recorded.

Property and Equipment

Property and equipment are originally stated at cost, if purchased, or estimated fair value at the date of receipt if acquired by gift. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 7 years. Maintenance, repairs and minor renewals are expensed in the year incurred. Additions, improvements, and major renewals are capitalized. Expenditures for property and equipment in excess of \$2,500 and with a useful life of at least one year are capitalized.

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

Grant Revenue

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions. Grants and contracts awarded for the acquisition of long-lived assets are reported as changes to net assets, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired or expended. Cash received in excess of revenue recognized is recorded as refundable advances. Grant and contract receivables are reported at their outstanding unpaid balances. The Organization writes off accounts receivable against the allowance when a balance is determined to be uncollectible.

Contributions and Donations

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Conditional gifts received prior to the satisfaction of conditions are recorded as refundable advances. The gifts are reported as increases in the appropriate categories of net assets in accordance with donor restrictions.

Net Patient Service Revenues

Net patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations.

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
Notes to Financial Statements  
For the years ended December 31, 2023 and 2022

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Generally, the Organization bills the patients and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patient services in the Organization's clinics, which includes medical, dental, mental health, and other services.

The Organization measures the performance obligation from commencement of a service to the point when it is no longer required to provide services to that patient, which is generally at the time of completion of the services. These services are considered to be a single performance obligation and have a duration of less than one day. Revenue for performance obligations satisfied at a point in time, which includes pharmacy services, is recognized when services are provided and the Organization does not believe it is required to provide additional services to the patient.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The Organization is utilizing the portfolio approach practical expedient in ASC 606 for contracts related to net patient service revenue. The Organization accounts for contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. As a result, the Organization has concluded that revenue for a given portfolio would not be materially different than if accounting for revenue on a contract-by-contract basis.

The Organization has arrangements with third-party payors that provide for payments to the Organization at amounts different from its established rates. For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates subject to certain discounts and implicit price concessions as determined by the Organization. The Organization determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policy, and implicit price concessions provided to uninsured patients. Implicit price concessions represent the difference between amounts billed and the estimated consideration the Organization expects to receive from patients, which are determined based on historical collection experience, current market conditions, and other factors.

The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, discount policies, and historical experience. The Organization is approved as a Federally Qualified Health Center (FQHC) for both Medicare and Medicaid reimbursement purposes. A summary of the payment arrangements with major third-party payors follows:

- Medicare

Services rendered to Medicare program beneficiaries are paid a Prospective Payment System (PPS) rate for FQHCs under Medicare Part B. Under the FQHC PPS, Medicare pays FQHCs based on the lesser of their actual charges or the PPS rate for FQHC services furnished to a beneficiary for a medically necessary, face-to-face FQHC visit.

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
Notes to Financial Statements  
For the years ended December 31, 2023 and 2022

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Organization is paid 80% of the established FQHC rate, with the beneficiary being responsible for the remaining 20%, or alternatively, the remaining 20% is billed to Medicaid for qualifying patients (dual eligible). The FQHC PPS base rate is adjusted for each FQHC site by the FQHC geographic adjustment factor, based on the geographic cost indices used to adjust payment under the Medicare Physician Fee Schedule.

The Organization is reimbursed at the PPS rate with final settlement related to Medicare bad debts and vaccines provided during the year determined after submission of annual cost reports by the Organization and audits thereof by the Centers for Medicare and Medicaid (CMS) fiscal intermediary. The Organization's Medicare cost reports have been audited by the CMS fiscal intermediary through May 2024.

- Medicare Advantage

Private insurance companies administer Medicare Advantage (MA) programs. Payment rates for outpatient services provided to the MA enrollees are based on contractual agreements with each MA administrator. FQHCs qualify for supplemental wrap-around payments, which is the difference between the FQHC PPS rate and the average MA per-visit rate. Wrap-around rate determination and payment is handled by the CMS Medicare fiscal intermediary.

- Medicaid

Covered FQHC services rendered to Medicaid program beneficiaries are paid based on a prospective reimbursement methodology. The Organization is reimbursed a set encounter rate for all services under the plan.

- Other Arrangements

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

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs.

There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Estimated settlements are adjusted and recognized in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant.

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
Notes to Financial Statements  
For the years ended December 31, 2023 and 2022

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances, such as copays and deductibles. The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement/payment methodologies and collection rates
- Length of patient's service
- Method of reimbursement (fee for service or capitation)
- Type of service provided

The Organization has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Organization does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Pharmacy Revenue

Pharmacy revenue is generated from the sale of over-the-counter and prescribed medication to the Organization's patients. Revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for the sale of these goods. These amounts are due from patients (self-pay) and two significant third-party payor groups, which include: commercial insurers and Medicare. The Organization bills the patients and third-party payors daily as goods are sold. Revenue is recognized as the performance obligation is satisfied, which is at the point in time when control transfers to the customer.

Each prescription claim or over-the-counter purchase is considered a separate arrangement with the customer. Thus, each prescription claim or over-the-counter purchase is considered one performance obligation. The performance obligation is satisfied upon delivery, which is the point in time when control transfers to the customer.

Pharmacy revenue is recognized at an amount equal to the consideration the Organization expects to receive in exchange for the goods sold. Transaction prices are dependent upon the terms provided by or negotiated with the third-party payors, as well as discount programs. The payment arrangements with third-party payors typically specify payments at amounts less than the Organization's standard charges.

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
Notes to Financial Statements  
For the years ended December 31, 2023 and 2022

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

340B Revenue

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

Contributions and Donations

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as donor-restricted support that increases that net asset class. 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 restriction and reported in the statement of activities as net assets released from restrictions.

Sliding Fee Scale Discount Program

The Organization provides care to patients who meet certain criteria under federal guidelines and other corporate policies of the Organization at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. As required by Section 330 of the Public Health Service Act (42 U.S.C. § 254b), the Organization has also established a sliding fee discount program and offers low-income patients a sliding fee discount from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, sliding fee discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Adjustments arising from a change in the transaction price were not significant for the years ended December 31, 2023 and 2022. 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.

Donated Goods and Services

Donated goods and services are recognized in accordance with FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*. Donated services must create or enhance a nonfinancial asset. When donated services do not create or enhance a nonfinancial asset, the service must require specialized skills, be provided by an individual possessing those skills, and be a service that would typically need to be purchased if not contributed.

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
Notes to Financial Statements  
For the years ended December 31, 2023 and 2022

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Functional Expenses

The costs of providing the programs and services of the Organization have been summarized on a functional basis. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based on management estimates of time and usage by personnel and programs as follows:

<u>Expense</u>	<u>Method of Allocation</u>
Personnel services	Time and effort
Building occupancy	Direct usage
Meetings, training and travel	Direct usage
General and administrative	Direct usage

Although the methods used were appropriate, other methods could produce different results.

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time, and/or purpose restrictions. The Organization did not have net assets with donor restrictions as of December 31, 2023 or 2022.

Income Taxes

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from state income taxes under similar provisions in the Florida Income Tax Code. Accordingly, no provision for federal or state income taxes is reflected in the accompanying financial statements.

The Organization identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the statements of financial position. The Organization has not recognized a liability for uncertain tax positions. The Organization's tax years subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

Fair Value Measurements

Authoritative guidance establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). As a basis for considering such assumptions, the three tier fair value hierarchy, which prioritizes the inputs used in measuring fair value are as follows:

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
Notes to Financial Statements  
For the years ended December 31, 2023 and 2022

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities measured at fair value are based on one or more of the following three valuation techniques noted in authoritative guidance:

- A. *Market approach:* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- B. *Cost approach:* Amount that would be required to replace the service capacity of an asset (replacement cost).
- C. *Income approach:* Techniques to convert future amounts to a single present amount based upon market expectations (including present value techniques, option-pricing and excess earnings models).

The Organization does not have any financial assets or liabilities that are required to be fair valued on a recurring basis that would need to be disclosed as Level 1,2 or 3 financial instruments in the fair value hierarchy.

Advertising/Marketing Costs

The Organization's policy is to expense advertising/marketing costs when incurred.

Leases

The Organization leases office equipment and office space. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities the statements of financial position.

Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities on the statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Organization uses its risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option.

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
Notes to Financial Statements  
For the years ended December 31, 2023 and 2022

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease. Finance lease assets, if present, are amortized on a straight-line basis over the shorter of the estimated useful lives of the assets or the lease term. The interest component of a finance lease is included in interest expense and recognized using the effective interest method over the lease term.

Change in Net Assets

The statement of activities and changes in net assets includes excess revenues (expenses). Changes in net assets without donor restrictions which are excluded from excess revenues (expenses), consistent with industry practice, include contributions and grants of long-lived assets (including assets acquired using contributions or grants which by donor or granting restriction are to be used for the purposes of acquiring such assets).

Accounting Pronouncement Adopted

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. The ASU changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model. Entities will be required to estimate credit losses over the entire contractual term of an instrument. The ASU includes financial assets recorded at amortized cost basis, such as loan receivables, trade, and certain other receivables, as well as certain off balance-sheet credit exposures, such as loan commitments and financial guarantees. The ASU does not apply to financial assets measured at fair value, and loans and receivables between entities under common control. The ASU is effective for fiscal years beginning after December 15, 2022. The Organization adopted this standard using the modified retrospective approach as of January 1, 2023. The adoption of this standard did not have a material impact on the Organization's financial statements.

Reclassifications

Certain immaterial fiscal 2022 amounts have been reclassified to conform to fiscal 2023 presentation. These reclassifications had no impact on previously reported fiscal 2022 change in net assets.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through December 18, 2024, the date the financial statements were available to be issued. No subsequent events occurring after this date have been evaluated for inclusion in the financial statements.

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
Notes to Financial Statements  
For the years ended December 31, 2023 and 2022

**NOTE 3: PATIENT SERVICES RECEIVABLE, NET**

Patient services receivable is net of an estimated allowance for doubtful accounts based upon the Organization’s analysis of claims paid subsequent to the statement of financial position date and other historical data collected. Patient services receivable consist of the following as of December 31, 2023 and 2022, respectively:

	2023	2022
Commercial	\$ 377,870	\$ 652,234
Medicaid	20,408	25,195
Medicare	42,838	152,409
Self-Pay	225,862	362,237
Pharmacy	68,788	57,611
Total receivable	735,766	1,249,686
Less allowance for doubtful accounts	(158,537)	(611,189)
Patient services receivable , net	\$ 577,229	\$ 638,496

**NOTE 4: GRANT RECEIVABLES, NET**

The following schedule details the changes in the grant receivables and unearned revenue accounts for the fiscal year ended December 31, 2023:

	Receivable Dec. 31, 2022	Unearned Dec. 31, 2022	Received	Earned	Receivable Dec. 31, 2023	Unearned Dec. 31, 2023
Federal:						
HRSA 330 Grant	\$ -	\$ -	3,823,330	4,023,093	\$ 199,764	\$ -
State:						
COHFD	-	-	-	21,419	21,419	-
SMMT	653,264	-	2,255,488	1,980,145	377,921	-
Sentara	-	-	226,593	55,128	-	171,465
PPI	-	-	-	51,099	51,099	-
Florida Dental	-	-	25,043	25,043	-	-
FACHC	5,596	-	21,026	(5,596)	-	21,026
Other:						
Baptist Health	-	-	50,000	-	-	50,000
United Health Care	-	-	100,000	-	-	100,000
City of Jacksonville	-	-	128,980	128,980	-	-
Healthy Start	-	-	41,268	41,268	-	-
We Care Jax	-	-	29,625	46,603	16,978	-
Total	\$ 658,860	\$ -	\$ 6,701,352	\$ 6,367,181	\$ 667,180	\$ 342,491

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
Notes to Financial Statements  
For the years ended December 31, 2023 and 2022

**NOTE 4: GRANT RECEIVABLES, NET (CONTINUED)**

The following schedule details the changes in the grant receivables and deferred revenue accounts for the fiscal year ended December 31, 2022:

	Receivable Dec. 31, 2021	Unearned Dec. 31, 2021	Received	Earned	Receivable Dec. 31, 2022	Unearned Dec. 31, 2022
Federal:						
HRSA 330 Grant	\$ -	\$ -	3,477,723	\$ 3,477,723	\$ -	\$ -
State:						
Dental Funding	-	-	197,826	197,826	-	-
Wise Woman	-	-	30,258	30,258	-	-
SMMT	-	-	-	653,264	653,264	-
FACHC	-	-	-	5,596	5,596	-
Local:						
COJ (Covid)	<u>1,151,803</u>	<u>-</u>	<u>5,229,646</u>	<u>4,077,844</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,151,803</u>	<u>\$ -</u>	<u>\$ 8,935,453</u>	<u>\$ 8,442,511</u>	<u>\$ 658,860</u>	<u>\$ -</u>

The allocation of earned grant revenue is as follows:

	%	
	<u>2023</u>	<u>2022</u>
HRSA 330 Grant	57.05	38.92
State Grants	37.73	2.55
Other Grants	<u>5.22</u>	<u>58.53</u>
Total	<u>100.00</u>	<u>100.00</u>

**NOTE 5: PROPERTY AND EQUIPMENT, NET**

Property and equipment, net, at cost, consist of the following as of December 31, 2023 and 2022, respectively:

	<u>2023</u>	<u>2022</u>
Building improvements	\$ 1,142,530	\$ 689,023
Furniture and fixtures	214,427	214,427
Medical equipment	267,989	216,471
Computer equipment	47,987	47,987
Software	10,236	10,236
Vehicles	<u>499,498</u>	<u>699,448</u>
Total cost	2,182,667	1,877,592
Less accumulated depreciation	<u>(1,066,317)</u>	<u>(1,045,449)</u>
Total, net	<u>\$ 1,116,350</u>	<u>\$ 832,143</u>

Depreciation is computed using the straight-line method with asset lives of five and seven years. For the years ended December 31, 2023 and 2022, depreciation expense was \$221,866 and \$188,833, respectively.

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
Notes to Financial Statements  
For the years ended December 31, 2023 and 2022

**NOTE 6: 403(B) RETIREMENT PLAN**

The Organization sponsors a a tax-deferred retirement plan qualified under Section 403(b) of the Internal Revenue Code. All employees are eligible to participate beginning on the first day of their employment. At present, the Organization does not contribute an employer match to each employee’s deferral contribution.

**NOTE 7: CONSTRUCTION IN PROGRESS**

The Organization recognizes construction in progress at cost, which includes direct materials, direct labor, and other directly attributable costs incurred in acquiring or constructing the assets. Construction in progress is not depreciated until it is substantially complete and ready for its intended use. For the years ended December 31, 2023 and 2022, construction in progress was \$0 and \$164,147, respectively.

**NOTE 8: LEASES**

The Organization has operating and finance leases for clinic locations and certain equipment. The leases have remaining lease terms of 1 to 4 years. As of December 31, 2023 and 2022, assets recorded under finance leases were \$1,443 and \$25,978 respectively, and accumulated depreciation associated with finance leases was \$14,384 and \$6,584 respectively.

The components of lease expense were as follows:

<u>Year ended December 31,</u>	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 283,877	\$ 268,906
Short-term lease cost	-	-
Finance lease cost	26,376	21,965
Amortization of ROU assets	311,969	304,653
Interest on lease liabilities	21,609	25,713

Other information related to leases was as follows:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	459,780	356,486
Operating cash flows from finance leases	-	-
Financing cash flows from finance leases	-	9,094

Right-of-use assets obtained in exchange for lease obligations

Operating leases	819,128	363,248
Finance leases	1,443	8,916

Weighted average remaining lease term (months)

Operating leases	45	42
Finance leases	4	23

Weighted average discount rate

Operating leases	4.00%	5.49%
Finance leases	3.99%	3.99%

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
Notes to Financial Statements  
For the years ended December 31, 2023 and 2022

**NOTE 8: LEASES (CONTINUED)**

Other information related to lease liabilities was as follows:	<u>2023</u>	<u>2022</u>
Other current liabilities	\$ -	\$ -
Operating lease liabilities	817,800	365,580
Other long-term liabilities	<u>-</u>	<u>-</u>
Total	<u>\$ 817,800</u>	<u>\$ 365,580</u>

Future minimum lease payments under non-cancellable leases as of December 31, 2023 were as follows:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>	<u>Finance Leases</u>
2024	\$ 278,578	\$ 1,542
2025	230,955	-
2026	145,246	-
2027	114,864	-
2028	110,098	-
Thereafter	<u>-</u>	<u>-</u>
Total future minimum lease payments	\$ 879,742	\$ 1,542
Less imputed interest	<u>63,476</u>	<u>8</u>
Total	<u>\$ 816,266</u>	<u>\$ 1,534</u>

Future minimum lease payments under non-cancellable leases as of December 31, 2022 were as follows:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>	<u>Finance Leases</u>
2023	\$ 195,835	\$ 7,755
2024	97,554	1,496
2025	79,553	-
2026	6,890	-
2027	-	-
Thereafter	<u>-</u>	<u>-</u>
Total future minimum lease payments	\$ 379,832	\$ 9,251
Less imputed interest	<u>23,346</u>	<u>157</u>
Total	<u>\$ 356,486</u>	<u>\$ 9,094</u>

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
Notes to Financial Statements  
For the years ended December 31, 2023 and 2022

**NOTE 9: LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statements of cash flows which identifies the sources and uses of the Organization’s cash and shows positive cash generated by operations for the fiscal years ended December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, respectively, the following table shows the total financial assets held by the Organization and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures:

	2023	2022
Cash and cash equivalents	\$6,059,806	\$2,077,599
Patient services receivable, net	577,229	638,496
Grant receivables, net	667,180	658,860
Financial assets available to meet general expenditures within one year	\$7,304,215	\$3,374,955

In addition, the Organization has access to a line of credit totaling \$41,000 as of December 31, 2023 and 2022. See Note 11.

**NOTE 10: COMPENSATED ABSENCES**

The Organization's employees earn a vested right to compensation for unused vacation and personal absences time. Accordingly, the Organization has made an accrual for compensated absences that have been earned but not taken in the amount of \$147,873 and \$158,201 for the years ended 2023 and 2022, respectively.

**NOTE 11: LINE OF CREDIT**

The Organization has a \$41,000 line of credit from Wells Fargo Bank that carries an interest rate of 10%. The line of credit renews annually for a nominal fee. The balance as of December 31, 2023 and 2022 is \$0 and \$0, respectively.

**NOTE 12: CHARITY CARE**

The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not included in net revenues.

The Organization maintains records to identify and monitor the level of charity care that it provides. The costs associated with the charitable care services provided are estimated by applying the cost-to-charge ratio from the most recently filed cost report, to the amount of gross uncompensated charges for the patients receiving charity care. Total charity care costs were \$2,443,530 and \$2,380,991 for the year ended December 31, 2023 and 2022.

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
Notes to Financial Statements  
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**NOTE 13: DONATED MEDICAL SUPPLIES**

The Organization received donated medical supplies from various suppliers. The amount of these donations was valued at the fair value at the time of the contribution. All medical supplies were utilized during the period received and therefore, were recognized as revenue and expense during that period. There was no net effect to the overall financial statements as a whole. The total amount recognized was \$0 and \$180,956 for the years ended December 31, 2023 and 2022, respectively. The Organization did not monetize any contributed non-financial assets and unless otherwise noted.

**NOTE 14: UNCOMPENSATED SERVICES**

The Organization was compensated for services at amounts less than its established rates. Charges for uncompensated services for 2023 and 2022 were approximately \$6,961,747 and \$6,631,708, respectively. Uncompensated care includes the sliding fee discount program of approximately \$3,026,865 and \$1,729,000 for the years ended December 31, 2023 and 2022, respectively.

The following is a summary of uncompensated services and a reconciliation of total charges to net patient service revenue for December 31, 2023:

Description	Gross Charges	Contractual and Charitable	2023 Net Patient Service
Medicaid	6,228,079	(3,738,767)	\$ 2,489,312
Medicare	272,919	(102,494)	170,425
Other third party	1,337,046	(932,718)	404,328
Self-pay	3,084,892	(2,842,867)	242,025
Pharmacy revenue	694,549	-	694,549
	<u>\$ 11,617,484</u>	<u>\$ (7,616,845)</u>	\$ 4,000,638
Medicaid Wrap			715,149
Total Patient Service Revenues			<u>\$ 4,715,787</u>

The following is a summary of uncompensated services and a reconciliation of total charges to net patient service revenue for December 31, 2022:

Description	Gross Charges	Contractual and Charitable	2022 Net Patient Service
Medicaid	4,736,734	(3,265,751)	\$ 1,470,983
Medicare	163,935	(113,514)	50,421
Other third party	1,314,503	(825,325)	489,178
Self-pay	2,668,009	(2,427,117)	240,892
Pharmacy revenue	608,052	-	608,052
	<u>\$ 9,491,233</u>	<u>\$ (6,631,708)</u>	\$ 2,859,525
Medicaid Wrap			871,810
Total Patient Service Revenues			<u>\$ 3,731,335</u>

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
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**NOTE 15: PAY FOR PERFORMANCE INCOME**

The Organization entered into an amended agreement effective January 1, 2020 with Sunshine State Health Plan, Inc. to provide incentives under its Medicaid Quality Risk Program. The Organization also has similar agreements with other Medicaid plan providers. The incentive is based on attaining certain measurable metrics that are evaluated each year. The following is a summary of incentives earned as of December 31, 2023 and 2022, respectively:

	2023	2022
Sunshine Health	\$ 2,568,102	\$ 357,680
Centage	425,027	-
United Healthcare	41,815	-
Other	225	-
Total	\$ 3,035,169	\$ 357,680

**NOTE 16: SIGNIFICANT ESTIMATES AND CONCENTRATIONS**

The current economic environment presents community health centers with difficult circumstances and challenges. As employers make adjustments to health insurance plans or more patients become unemployed, certain patients may find it difficult to pay for services rendered. Changes to the *Affordable Care Act*, including the health insurance exchanges, will directly impact community health centers' net revenues. Further, the effect of economic conditions on federal and state budgets could adversely impact the grant revenues available to community health centers and the programs they administer. Each of these factors could have an adverse impact on the Organization's future operating results. Other concentrations are as follows:

Concentration of Grant Revenue

The Organization receives a substantial portion of all of its support and revenue from federal, state and local funding sources, in the form of performance and budget-based contracts. A reduction in the level of future support from the federal and state government and local sources could have a substantial effect on the Organization's programs and activities. The percentage of revenue that was derived from governmental sources was 36% and 65% for the years ended December 31, 2023 and 2022, respectively.

Concentration of Receivables

Amounts owed to the Organization from federal and state government sources comprise 94% and 41% of total grants receivable for the years ended December 31, 2023 and 2022, respectively.

Deposit Credit Risk

The Organization's policy is to maintain its cash and cash equivalents in major banks. As of December 31, 2023 and 2022, the carrying amount of the Organization's deposits and the respective bank balance was \$6,059,806 and \$2,077,599, respectively. Under the Dodd-Frank Act, non-interest-bearing deposits at FDIC insured institutions are insured up to \$250,000. The Organization's non-interest-bearing accounts exceeded the insured limit by \$5,502,232 and \$1,773,466, respectively as of December 31, 2023 and 2022.

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
Notes to Financial Statements  
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**NOTE 16: SIGNIFICANT ESTIMATES AND CONCENTRATIONS (CONTINUED)**

Concentrations of Credit Risk

The Organization grants credit without collateral to its patients, some of whom are area residents and are insured under third-party payer agreements. The mix of net receivables from patients and third-party payers at December 31, 2023 and 2022, was:

	%	
	2023	2022
Commercial	56.24	69.95
Medicaid	0.94	(3.66)
Medicare	5.18	19.13
Self-Pay	25.72	6.91
Pharmacy	11.92	7.66
Total	100.00	100.00

Compliance Plan

The healthcare industry has recently been subjected to increased scrutiny from governmental agencies at both the federal and state level with respect to compliance with regulations. Areas of noncompliance identified at the national level include Medicare and Medicaid, Internal Revenue Service, and other regulations governing the healthcare industry. The Organization has implemented a compliance plan focusing on such issues. There can be no assurance that the Organization will not be subjected to future Investigations with accompanying monetary damages.

**NOTE 17: COMMITMENTS AND CONTINGENCIES**

Litigation and Contingencies

In the normal course of business, the Organization is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by commercial insurance; for example, allegations regarding employment practices, performance of contracts or medical malpractice claims not covered under FTCA. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. Management records an estimate of the amount of ultimate expected loss, if any, for these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Medical Malpractice Claims Coverage

The U.S. Department of Health and Human Services has deemed the Organization and its practicing physicians covered under the Federal Tort Claims Act (FTCA) for damage and personal injury, including death resulting from the performance of medical, surgical, dental and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap. For physician services outside the scope of FTCA coverage, the Organization purchases a claims-made insurance policy with limits of \$1,000,000 per claim and \$3,000,000 in aggregate and no deductible. Claim liabilities are to be determined without consideration of insurance recoveries. Expected recoveries are presented separately. Obligations covered by reinsurance contracts are included in the reserves for professional liability risks, as the Organization remains liable to the extent the reinsurers do not meet their obligations under the reinsurance contracts. There were no amounts recoverable under the reinsurance contracts at December 31, 2023 or 2022. However, because of the risk in providing health care services, it is possible that an event has occurred which will be the basis of a future medical claim.

## **SUPPLEMENTAL INFORMATION**

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
 Schedule of the Source and Status of Funds Received from the  
 City of Jacksonville, Florida  
 For the year ended December 31, 2023

**COJ Public Service Grant**

Contract Number: GC-1536071

Contract Period: 10/1/22 - 9/30/23

	Through 12/31/22	01/01/23 - 09/30/23
Amount of award	\$ 128,980	\$ 128,980
Actual funds received last audit	-	-
Actual funds received this period	-	-
Due from COJ	<u>-</u>	<u>128,980</u>
Amount remaining	<u>\$ 128,980</u>	<u>\$ -</u>

	Actual Budget	Actual 01/23 - 09/23	Actual 10/23 - 12/23	Budget Remaining
Salaries	\$ -	\$ -	-	-
Taxes & benefits	-	-	-	-
Client medical (labs, medical care)	128,980	128,980	-	-
Equipment	-	-	-	-
Occupancy	-	-	-	-
Office expenses	-	-	-	-
Travel/mileage	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>\$ 128,980</u>	<u>\$ 128,980</u>	<u>\$ -</u>	<u>\$ -</u>

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

To the Board of the Agape Community  
Health Center, Inc.  
Jacksonville, Florida

I 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 financial statements of Agape Community Health Center, Inc. (the "Organization"), (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated December 18, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, considered Agape Community Health Center, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Agape Community Health Center, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of Agape Community Health Center, 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 entity's 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.

My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that I consider to be material weaknesses.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Agape Community Health Center, Inc.'s financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002.

## **Agape Community Health Center, Inc.'s Response to Findings**

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

### **Purpose of this Report**

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



Darryl R. Jackson, CPA, P.A.  
Jacksonville, Florida  
December 18, 2024

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY UNIFORM GUIDANCE**

To the Board of the Agape Community  
Health Center, Inc.  
Jacksonville, Florida

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

I have audited Agape Community Health Center, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Agape Community Health Center, Inc.'s major federal programs for the year ended December 31, 2023. Agape Community Health Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, Agape Community Health Center, Inc.'s complied, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2023.

***Basis for Opinion on Each Major Federal Program***

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

I am required to be independent of Agape Community Health Center, Inc.'s and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of Agape Community Health Center, Inc.'s compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of Compliance***

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Agape Community Health Center, Inc.'s compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform

Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Agape Community Health Center, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Agape Community Health Center, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of Agape Community Health Center, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Agape Community Health Center, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

### **Other Matters**

The results of my auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-003. My opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Agape Community Health Center, Inc.'s response to the noncompliance findings identified in my compliance audit described in the accompanying schedule of findings and questioned costs. Agape Community Health Center, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

### **Report on Internal Control over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable

possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-003 to be a material weakness.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on Agape Community Health Center, Inc.'s response to the internal control over compliance findings identified in my compliance audit described in the accompanying schedule of findings and questioned costs. Agape Community Health Center, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Darryl R. Jackson, CPA, P.A.  
Jacksonville, FL 32202  
December 18, 2024

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
Schedule of Expenditures of Federal Awards  
For the year ended December 31, 2023

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal ALN Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures</i>
<b><i>Health Centers Cluster-Cluster</i></b>			
Department of Health and Human Services			
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)			
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	Health Care Centers-- H80CS29456-06-00	\$ 1,015,212
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	Health Care Centers-- H8FCS40812-01-00	905,661
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	Health Care Centers-- H80CS29456-07-00	<u>1,810,853</u>
Total Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)			<u>3,731,726</u>
<i>Total Department of Health and Human Services</i>			<u>3,731,726</u>
<b><i>Total Health Centers Cluster-Cluster</i></b>			<u>3,731,726</u>
<b><i>Other Programs</i></b>			
Department of Health and Human Services			
FIP Verification			
FIP Verification	93.526	Health Care Centers-- C8ECS43950-01-05	<u>467,240</u>
Total FIP Verification			467,240
<i>Total Department of Health and Human Services</i>			
Total Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program			<u>467,240</u>
<i>Total Department of Health and Human Services</i>			<u>467,240</u>
<b><i>Total Other Programs</i></b>			<u>467,240</u>
<b><i>Total Expenditures of Federal Awards</i></b>			<u>\$ 4,198,966</u>

*The accompanying notes are an integral part of this schedule*

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
Notes to Schedule of Expenditures of Federal Awards  
Year ended December 31, 2023

**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal awards activity of Agape Community Health Center, Inc. (the “Organization”) under programs of the federal government for the year ended December 31, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented when available.

**NOTE 3: NON-CASH AWARDS**

The Organization did not have any non-cash awards during the fiscal year.

**NOTE 4: INDIRECT COST RATE**

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 5: CONTINGENCIES**

Grant monies received and disbursed by the Organization is for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowance of expenditures. Based upon experience, the Organization does not believe that such disallowances, if any, would have a material effect on the financial position of the Organization.

**NOTE 6: SUBRECIPIENTS**

The Organization provided no federal awards to sub-recipients during the year December 31 2023.

**AGAPE COMMUNITY HEALTH CENTER, INC.**

Schedule of Findings and Questioned Costs  
Year ended December 31, 2023

**SUMMARY OF AUDITOR’S RESULTS**

**FINANCIAL STATEMENT**

Type of auditor’s report issued:	Unmodified			
	<hr/>			
	<table border="1"> <tr> <td align="center"><b>Yes</b></td> <td align="center"><b>No</b></td> </tr> </table>		<b>Yes</b>	<b>No</b>
<b>Yes</b>	<b>No</b>			
Internal control over financial reporting:				
Material weakness(es) identified?	<hr/> X	<hr/>		
Significant deficiency(ies) identified not considered to be material weakness(es)?	<hr/>	<hr/> X		
Noncompliance material to financial statements noted?	<hr/>	<hr/> X		

**FEDERAL AWARDS FINANCIAL ASSISTANCE**

Dollar threshold used to determine Type A & B programs: Federal	<hr/> \$750,000			
Type of auditor’s report on compliance with major programs/projects:	<hr/> Unmodified			
	<table border="1"> <tr> <td align="center"><b>Yes</b></td> <td align="center"><b>No</b></td> </tr> </table>		<b>Yes</b>	<b>No</b>
<b>Yes</b>	<b>No</b>			
Internal control over compliance:				
Material weakness(es) identified?	<hr/> X	<hr/>		
Significant deficiency(ies) identified not considered to be material weakness(es)?	<hr/>	<hr/> X		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	<hr/> X	<hr/>		

<b>ALN Number(s)</b>	<b>Name of Program or Cluster</b>
<b>Federal Programs:</b>	U.S. Department of Health and Human Services:
93.224	Health Center Cluster:
93.526	Consolidated Health Center
	FIP Verification

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
 Schedule of Findings and Questioned Costs (continued)  
 Year ended December 31, 2023

**A. SUMMARY OF AUDITOR’S RESULTS (CONTINUED)**

	Yes	No
Auditee qualified as low-risk auditee? Federal	_____	_____X_____

**B. FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

This section identifies significant deficiencies, material weaknesses, fraud, non-compliance with provisions of laws, regulations, contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting.

**2023-001                      PREPARATION OF FINANCIAL STATEMENTS (*Material Weakness*)**

***Condition/Criteria:*** Government Auditing Standards require that financial statements be prepared in accordance with Generally Accepted Accounting Principle in the United States of America (“GAAP”). These principles require financial statements be prepared on the accrual basis of accounting, which is GAAP compliant; revenues and expenses are recorded and recognized in the period in which they occur.

***Cause:*** Accounting department insufficiently staffed and various posting errors resulted in misstatements noted during the audit process.

***Effect:*** The Organization’s financial statements were materially misstated. Subsequent adjustments resulted in changes to the trial balance provided.

***Repeat Finding:*** Yes

***Recommendation:*** The Organization should implement stronger processes and related internal controls surrounding financial reporting. It should address employee staffing and retention within the accounting department and evaluate opportunities to implement technology to streamline processes.

***Views of Responsible Officials:*** The Organization’s management agrees with the finding and has decided to outsource accounting to a firm that well versed in this specialized healthcare field.

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
Schedule of Findings and Questioned Costs (continued)  
Year ended December 31, 2023

**B. FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**2023-002                      PREPARATION AND REVIEW OF RECONCILIATIONS AND JOURNAL ENTRIES**  
*(Material Weakness)*

**Criteria:** Management is responsible for establishing and maintaining effective internal controls over financial reporting. Effective internal controls should include preparation of account reconciliations which should be reviewed by a person independent of the preparer in a timely manner. Supporting documentation of the reconciliations and of the review should be maintained by the Organization. In addition, entries posted as a result of the reconciliations should be reviewed by a person independent of the preparer and support of the review should be maintained by the Organization.

**Condition:** Several audit adjustments of the Organization's financial statements were made. Areas in which adjustments were proposed and recorded for the financial statements to be in conformity with accounting principles generally accepted in the United States of America (GAAP) include:

- Patient receivable and their related reserves
- Fixed assets and accumulated depreciation
- Net assets
- Grant revenue

**Cause:** The Organization failed to identify certain adjustments required to present the financial statements in accordance with GAAP. Management should review existing policies and procedures for necessary changes and formalize reconciliation and journal entry review processes.

**Effect:** Account reconciliations were not prepared for several general ledger accounts. As a result, several adjusting journal entries were proposed and recorded during the financial statement audit for the financial statements to be materially correct and in conformity with GAAP.

**Repeat Finding:** Yes

**Recommendation:** Management should implement a process for reconciliation of all accounts. Processes should also be implemented to ensure that all reconciliations and journal entries are reviewed by a person independent of the preparer. The reconciliations and reviews should be documented.

**Views of Responsible Officials:** The Organization's management agrees with the finding and has decided to outsource accounting to a firm that well versed in this specialized healthcare field.

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
Schedule of Findings and Questioned Costs (continued)  
Year ended December 31, 2023

**C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

This section identifies the audit findings required to be reported by 2 CFR 200.516(a), significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs, and material abuse.

*Federal Awards Findings and Questioned Costs*

**2023-003**                    **LATE SUBMISSION OF AUDIT REPORT TO THE FEDERAL AUDIT CLEARINGHOUSE** (*Material Weakness*)

**Federal Programs:**        Department of Health and Human Services Health Center Program Cluster  
ALN 93.224 and 93.526

**Condition/Criteria:**      Uniform Guidance 2 CFR 200.512(a) established the filing requirements for the submission of single audits to the federal audit clearing house. It states the single audit reporting package must be submitted 30 days after receipt of the auditor's report(s), or 9 months after the end of the fiscal year —whichever comes first.

**Cause:**                        Accounting department insufficiently staffed and lack of adequate technical support.

**Effect:**                        Because the Organization's financial statements were materially misstated, this resulted in late submission to the Federal Audit Clearinghouse the past two years.

**Repeat Finding:**            Yes

**Recommendation:**        The Organization should implement stronger processes and related internal controls surrounding financial reporting. It should address employee staffing and retention within the accounting department and evaluate opportunities to implement technology to streamline processes.

**Views of Responsible Officials:**      The Organization's management agrees with the finding and has decided to outsource accounting to a firm that well versed in this specialized healthcare field.

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
Summary Schedule of Prior Audit Findings  
Year ended December 31, 2023

**D. PRIOR AUDIT FINDINGS**

*Financial Statement Findings*

**2022-001**                      **PREPARATION OF FINANCIAL STATEMENTS** *(Significant Deficiency)*

**Condition/Criteria:**        General ledger account balances should be reconciled to subsidiary ledgers and supporting documentation in a timely manner to ensure the accuracy and completeness of the financial statements.

**Recommendation:**        General ledger accounts should be accurately reconciled to appropriate subsidiary ledgers and/or supporting documentation, and all discrepancies should be investigated and resolved on a routine basis.

**Current Status:**            Not corrected. See 2023-001.

---

**2022-002**                      **PREPARATION AND REVIEW OF RECONCILIATIONS AND JOURNAL ENTRIES**  
*(Significant Deficiency)*

**Condition/Criteria**        Several misstatements of the Organization's financial statements were discovered during the financial statement audit. Areas in which adjustments were proposed and recorded for the financial statements to be in conformity with accounting principles generally accepted in the United States of America (GAAP) include:

- Patient receivable and their related reserves
- Net assets
- Credit card payable
- Accrued salaries
- Accounts payable and related expense

Management is responsible for establishing and maintaining effective internal controls over financial reporting. Effective internal controls should include preparation of account reconciliations which should be reviewed by a person independent of the preparer in a timely manner. Supporting documentation of the reconciliations and of the review should be maintained by the Organization. In addition, entries posted as a result of the reconciliations should be reviewed by a person independent of the preparer and support of the review should be maintained by the Organization.

**Recommendation:**        Management should implement a process for reconciliation of all accounts. Processes should also be implemented to ensure that all reconciliations and journal entries are reviewed by a person independent of the preparer. The reconciliations and reviews should be documented.

**Current Status:**            Not corrected. See 2023-002.

**AGAPE COMMUNITY HEALTH CENTER, INC.**  
Summary Schedule of Prior Audit Findings  
Year ended December 31, 2023

**D. PRIOR AUDIT FINDINGS (CONTINUED)**

**2022-003**                      **MISSING SUPPORT FOR EXPENDITURES** (*Significant Deficiency*)

**Condition/Criteria:**        In order to maintain the proper internal controls regarding the processing of invoices, the disbursements system should require proper approvals and support for disbursements.

The Organization had expenditures with no backup to support the disbursement. This resulted in a 5% error rate. Also, the Organization had several disbursements that had backup support; however, there was no approval of the disbursement.

**Recommendation:**        The Organization should hire additional accounting staff that has both the experience and education to provide the Organization with proper accounting and finance expertise on overseeing the disbursement process.

**Current Status:**            Significant deficiency corrected.

---

**2022-004**                      **PAYROLL PROCESS** (*Significant Deficiency*)

**Condition/Criteria:**        Based on documented internal controls, the Organization should be able to provide approved support for employee pay rates and agree to payroll reports. There should be no inconsistencies between approved pay rates and payroll reports.

The Organization was not able to provide support for employee's most recently approved pay rate.

**Recommendation:**        I recommend the Organization follow the documented payroll process and ensure reviews and approvals are documented.

**Current Status:**            Significant deficiency corrected.

---

*Federal Awards Findings and Questioned Costs*

**2022-005**                      **SLIDING FEE DISCOUNT DETERMINATION** (*Significant Deficiency*)

**Federal Programs:**        Department of Health and Human Services, Health Center Program Cluster ALN 93.224 and 93.527

**Condition/Criteria:**        In the sample of 35 tested items, patient information for 19 claims were inadequate to determine the proper sliding fee discount or the patient was given an inappropriate discount based on information provided.

**Recommendation:**        Training should be provided to employees on the sliding fee program requirements. The Center should perform regular audits of sliding fee transactions to identify weaknesses in compliance.

**Current Status:**            Significant deficiency corrected.



Management's Corrective Action Plan  
December 31, 2023

**Finding Number:** 2023-001

**Finding Description:** General ledger account balances should be reconciled to subsidiary ledgers and supporting documentation in a timely manner to ensure the accuracy and completeness of the financial statements.

**Corrective Action Plan:**

- *Actions Planned:* The Organization will hire appropriate accounting personnel or consultants necessary to operate the finance departmental activities. General ledger accounts will be accurately reconciled to appropriate subsidiary ledgers and/or supporting documentation, and all discrepancies should be investigated and resolved on a routine basis. With an increase in staffing the department, day-to-day processing and reconciliation of general ledger accounts will be conducted, with oversight from department leadership.
  - *Responsible Person:* Chief Financial Officer
  - *Target Completion Date:* April 1, 2025
- 

**Finding Number:** 2023-002

**Finding Description:** The organization failed in establishing and maintaining effective internal controls for preparation of account reconciliations. This led to several misstatements of the organization's financial statement audit.

**Corrective Action Plan:**

- *Actions Planned:* Financial policies will be reviewed and updated by leadership. Management will implement a process for reconciliation of all accounts. Processes will also be implemented to ensure that all reconciliations and journal entries are reviewed by a person independent of the preparer. The reconciliations and reviews will be documented.
  - *Responsible Person:* Chief Financial Officer
  - *Target Completion Date:* April 1, 2025
- 

**Finding Number:** 2023-003

**Finding Description:** The Organization should implement stronger processes and related internal controls surrounding financial reporting. It should address employee staffing and retention within the accounting department and evaluate opportunities to implement technology to streamline processes.

**Corrective Action Plan:**

- *Actions Planned:* The Organization has contracted with a healthcare consulting firm and has outsourced the financial reporting function in its entirety. They are responsible for general ledger reconciliations to the appropriate subsidiary ledgers and/or supporting documentation. They will also be responsible for all internal and external financial reporting.
- *Responsible Person:* Chief Financial Officer
- *Target Completion Date:* April 1, 2025