

SHALOM HEALTH CARE CENTER, INC.

**Consolidated Financial Statements
For The Year Ended
December 31, 2021
(With Single Audit Section)**

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Certified Public Accountants

**SHALOM HEALTH CARE CENTER, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Shalom Health Care Center, Inc.
Indianapolis, IN

Report on the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements Shalom Health Care Center, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Shalom Health Care Center, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Shalom Health Care Center, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Shalom Health Care 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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shalom Health Care 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Shalom Health Care Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated 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. 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 our opinion, the schedule of expenditures of federal awards is 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, we have also issued our report dated September 28, 2022 on our consideration of the Shalom Health Care Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Shalom Health Care 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 the Shalom Health Care Center, Inc.'s internal control over financial reporting and compliance.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
Indianapolis, Indiana
September 28, 2022

SHALOM HEALTH CARE CENTER, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

		ASSETS			
		2021			
		Shalom Health Care Center, Inc.	Shalom, LLC	Eliminations	Total
CURRENT ASSETS:					
Cash	\$	2,065,199	\$ 218,519	\$ -	\$ 2,283,718
Accounts receivable, net of allowance for doubtful accounts		165,221	-	-	165,221
Prepaid expenses		53,009	6,781	-	59,790
Grants Receivables		164,087	-	-	164,087
Other receivables		338,570	376,625	(560,690)	154,505
Total current assets		<u>2,786,086</u>	<u>601,925</u>	<u>(560,690)</u>	<u>2,827,321</u>
FIXED ASSETS:					
Land		-	344,000	-	344,000
Building and leasehold improvements		1,007,894	1,854,694	-	2,862,588
Equipment		1,233,598	21,252	-	1,254,850
Furniture and fixtures		195,533	72,666	-	268,199
Construction in progress		127,329	3,062	-	130,391
		<u>2,564,354</u>	<u>2,295,674</u>	<u>-</u>	<u>4,860,028</u>
Accumulated depreciation		<u>(1,834,935)</u>	<u>(502,709)</u>	<u>-</u>	<u>(2,337,644)</u>
Total fixed assets, net		<u>729,419</u>	<u>1,792,965</u>	<u>-</u>	<u>2,522,384</u>
Total assets	\$	<u><u>3,515,505</u></u>	\$ <u><u>2,394,890</u></u>	\$ <u><u>(560,690)</u></u>	\$ <u><u>5,349,705</u></u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts payable	\$	504,325	\$ 205,679	\$ (560,690)	\$ 149,314
Accrued payroll and taxes		133,323	-	-	133,323
Other accrued expenses		215,986	9,678	-	225,664
Current portion of notes payable		318,302	72,057	-	390,359
Refundable advance		812,601	-	-	812,601
Deferred rent		-	34,278	-	34,278
Total current liabilities		<u>1,984,537</u>	<u>321,692</u>	<u>(560,690)</u>	<u>1,745,539</u>
LONG TERM LIABILITIES:					
Notes payable, less current portion		8,919	5,361	-	14,280
Mortgage Payable		-	1,546,811	-	1,546,811
Deferred rent- long term		-	143,801	-	143,801
		<u>8,919</u>	<u>1,695,973</u>	<u>-</u>	<u>1,704,892</u>
Total liabilities		<u>1,993,456</u>	<u>2,017,665</u>	<u>(560,690)</u>	<u>3,450,431</u>
NET ASSETS:					
Without donor restrictions		<u>1,522,049</u>	<u>377,225</u>	<u>-</u>	<u>1,899,274</u>
Total net assets		<u>1,522,049</u>	<u>377,225</u>	<u>-</u>	<u>1,899,274</u>
Total liabilities and net assets	\$	<u><u>3,515,505</u></u>	\$ <u><u>2,394,890</u></u>	\$ <u><u>(560,690)</u></u>	\$ <u><u>5,349,705</u></u>

See accompanying notes to consolidated financial statements.

SHALOM HEALTH CARE CENTER, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021			
	Shalom Health Care Center	Shalom, LLC		Consolidated
	Without Donor Restrictions	Subsidiary	Eliminations	Total
REVENUE AND OTHER SUPPORT				
Patient service revenue, less provision for uncollectible accounts	\$ 3,107,700	\$ -	\$ -	\$ 3,107,700
Grants Revenue	4,824,559	-	-	4,824,559
Contributions in-kind	1,120,191	-	-	1,120,191
School-based contract revenue	1,012,930	-	-	1,012,930
Rental Income	-	403,315	(172,800)	230,515
Other	1,615,987	-	-	1,615,987
Total revenue and other support	11,681,367	403,315	(172,800)	11,911,882
OPERATING EXPENSES				
Salaries, wages, & employee benefits	7,542,408	54,877	-	7,597,285
Purchased services & professional fees	474,803	51,043	-	525,846
Medical supplies and pharmaceuticals	1,227,799	-	-	1,227,799
Office and administrative	334,787	11,905	-	346,692
Insurance	35,801	-	-	35,801
Plant operations	98,270	85,543	-	183,813
Leases and rentals	544,812	-	(172,800)	372,012
Interest	25,382	85,719	-	111,101
Other	499,970	1,981	-	501,951
Depreciation	94,116	96,853	-	190,969
Total operating expenses	10,878,148	387,921	(172,800)	11,093,269
NET INCREASE IN NET ASSETS	803,219	15,394	-	818,613
NET ASSETS - BEGINNING OF YEAR AS ORIGINALLY STATED	930,397	361,831	-	1,292,228
Prior period adjustments	(211,567)	-	-	(211,567)
NET ASSETS - BEGINNING OF YEAR AS RESTATED	718,830	361,831	-	1,080,661
NET ASSETS - END OF YEAR	\$ 1,522,049	\$ 377,225	\$ -	\$ 1,899,274

See accompanying notes to consolidated financial statements.

SHALOM HEALTH CARE CENTER, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Program</u>	<u>Administration</u>	<u>Subsidiary</u>	<u>2021 Totals</u>
OPERATING EXPENSES				
Salaries, wages, & employee benefits	\$ 6,612,079	\$ 930,329	\$ 54,877	\$ 7,597,285
Purchased services & professional fees	369,726	105,077	51,043	525,846
Medical supplies & pharmaceuticals	1,227,799	-	-	1,227,799
Office & administrative	218,836	115,951	11,905	346,692
Insurance	2,388	33,413	-	35,801
Plant operations	49,787	48,483	85,543	183,813
Leases & rentals	332,063	39,949	-	372,012
Interest expense	3,231	22,151	85,719	111,101
Other	224,201	275,769	1,981	501,951
Depreciation	94,116	-	96,853	190,969
Total operating expenses	<u>\$ 9,134,226</u>	<u>\$ 1,571,122</u>	<u>\$ 387,921</u>	<u>\$ 11,093,269</u>

See accompanying notes to consolidated financial statements.

SHALOM HEALTH CARE CENTER, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021			
	Shalom Health Care Center, Inc.	Shalom, LLC	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	\$ 803,219	\$ 15,394	\$ -	\$ 818,613
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:				
Depreciation expense	94,116	96,853	-	190,969
Increase (decrease) in cash from changes in:				
Medicaid PPS rate adjustment receivable				-
Accounts and grants receivable	583,885	-	-	583,885
Prepaid expenses	(24,264)	(2,126)	-	(26,390)
Other receivables	47,601	115,200	65,014	227,815
Accounts payable	(152,696)	49,697	(65,014)	(168,013)
Accrued payroll and taxes	21,733	2,507	-	24,240
Other accrued expenses	76,167	-	-	76,167
Deferred revenue and refundable advance	218,325	(31,015)	-	187,310
Net cash provided by (used in) operating activities	<u>1,668,086</u>	<u>246,510</u>	<u>-</u>	<u>1,914,596</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of fixed assets	<u>(407,491)</u>	<u>(138,727)</u>	<u>-</u>	<u>(546,218)</u>
Net cash provided by (used in) investing activities	<u>(407,491)</u>	<u>(138,727)</u>	<u>-</u>	<u>(546,218)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Payments on loans payable	<u>(280,739)</u>	<u>(56,872)</u>	<u>-</u>	<u>(337,611)</u>
Net cash provided by (used in) financing activities	<u>(280,739)</u>	<u>(56,872)</u>	<u>-</u>	<u>(337,611)</u>
NET INCREASE (DECREASE) IN CASH	979,856	50,911	-	1,030,767
CASH, BEGINNING OF YEAR	<u>1,085,343</u>	<u>167,608</u>	<u>-</u>	<u>1,252,951</u>
CASH, END OF YEAR	<u>\$ 2,065,199</u>	<u>\$ 218,519</u>	<u>\$ -</u>	<u>\$ 2,283,718</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Mortgage refinanced	<u>\$ -</u>	<u>\$ 1,640,695</u>	<u>\$ -</u>	<u>\$ 1,640,695</u>
Cash paid during the year for interest expense	<u>\$ 25,382</u>	<u>\$ 85,719</u>	<u>\$ -</u>	<u>\$ 111,101</u>

See accompanying notes to consolidated financial statements.

SHALOM HEALTH CARE CENTER, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Shalom Health Care Center, Inc. (Center) was founded in 2002. Its purpose is to provide a full range of primary and preventative health care services to all residents of the Center's service area, regardless of ability to pay. The Center also operates school-based health clinics under contracts with local school systems. Services provided by the Center are subsidized by state, federal, and local grants. The Center receives federal assistance as a Federally Qualified Health Center (FQHC). The Center owns and controls Shalom, LLC (Properties), which was formed for the purpose of holding real estate for the Center. The Center and Properties are collectively referred to as the Organization in these consolidated financial statements.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements for the year ended December 31, 2021 include the accounts of the Shalom Health Care Center, Inc. and Shalom, LLC. All material intercompany accounts and transactions have been eliminated in consolidation.

BASIS OF ACCOUNTING

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

USES OF ESTIMATES

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

SHALOM HEALTH CARE CENTER, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL STATEMENT PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. Per the applicable standards, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. A description of the net asset classes follows:

Net assets without donor restrictions represent the portion of net assets of the Organization that is not subject to donor-imposed restrictions. Net assets without donor restrictions include expendable funds available for the support of the Organization. Board designated net assets are net assets without donor restrictions with self-imposed designations by action of the governing board.

Net assets with donor restrictions represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of the Organization pursuant to those stipulations, or net assets that must be held in perpetuity.

Net assets with donor restrictions also include, pursuant to Indiana law, cumulative appreciation and reinvested gains on net assets with donor restrictions that are held in perpetuity, which have not been appropriated by the Board of Directors.

PATIENT ACCOUNTS RECEIVABLE

Patients accounts receivable reflects the outstanding amount of 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. As a service to the patient, the Organization bills third-party payors directly and bills the patient when the patient's responsibility for co-pays, coinsurance, and deductibles is determined. Patient accounts receivable are due in full when billed.

CONTRACT ASSETS AND LIABILITIES

Amounts related to health care services provided to patients which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Amounts received related to health care services that have not yet been provided to patients are contract liabilities. The Organization has no contract assets or liabilities reported on the consolidated balance sheet at December 31, 2021.

SHALOM HEALTH CARE CENTER, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY AND EQUIPMENT

Property and equipment acquisitions, with a cost over \$5,000 and an estimated useful life exceeding one year, are recorded at cost and are depreciated using the straight-line method over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lived for each major depreciable classification of property and equipment are as follows:

Buildings and leasehold improvements	5-27.5 years
Equipment	3-7 years
Furniture and fixtures	5-7 years

Donations of property and equipment are reported at fair value as in increase in net assets without donor restrictions unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in net assets without donor restrictions when the donated asset is placed in service.

Expenditures for major renewals are capitalized. When property is sold, retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is credited or charged to income. Expenditures for maintenance and repairs are expensed when incurred. Disposition of equipment purchased with the use of various grant funds may be restricted.

Depreciation expense on property and equipment totaled \$190,969 for the year ended December 31, 2021.

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimate future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended December 31, 2021.

SHALOM HEALTH CARE CENTER, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REFUND LIABILITIES

The consideration the Organization has received from patients for which it does not expect to be entitled to is recorded as a refund liability.

REVENUE RECOGNITION

The Organization revenues consist of primarily of grants and contributions, patient service revenue, school-based contract revenue, and 340B revenue.

GRANT AND CONTRIBUTION REVENUE: The Organization receives grants as a Federally Qualified Health Center from the Department of Health and Human Services (HHS) and from the State of Indiana (State) to carry out certain program activities. These grants are considered conditional as the Organization must overcome the imposed barrier to be entitled to the funds. The grants are received under contracts which require the Organization to submit to HHS and the State appropriate records of services provided to eligible individuals and/or expenses incurred. Revenues under the contracts are recognized as allowable expenses are incurred, thus overcoming the imposed barrier. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. Amounts required prior to expenditures being incurred are reflected as refundable advances on the statements of financial position.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted. Restricted contributions that are conditional are presented as refundable advances.

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair market value of certain in-kind donations as an expense in its financial statements, and similarly increase revenue and other support by a like amount. For the year ended December 31, 2021, \$1,120,191 of in-kind contributions were received.

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance non-financial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, solicitations, and various committee assignments.

SHALOM HEALTH CARE CENTER, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION (continued)

PATIENT SERVICE REVENUE: Patient service revenue is recognized as the Organization satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policies and implicit price concessions provided to uninsured patients. The Organization determines its estimates of explicit price concessions which represent adjustments and discounts based on contractual agreements, its discount policies and historical experience by payor groups. The Organization determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations by third-party payors.

SCHOOL-BASED CONTRACT REVENUE: School-based contract revenue is recognized as the Organization satisfies performance obligations under its contracts with schools. Revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services. The Organization determines the transaction price based on contract amounts.

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 earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. Revenue is reported at the estimated transaction price of amount that reflects the consideration to which the Organization expects to be entitled to under its contracts with participating pharmacies that dispense the pharmaceuticals to its patients under a contract arrangement with the Center.

SHALOM HEALTH CARE CENTER, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX STATUS

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, it qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Shalom, LLC is a single member limited liability organized under Section 501(c)(2) of the Internal Revenue Code. Its activities are reported on the tax filings of Shalom Health Care Center, Inc. as a disregarded activity.

The Organization's accounting policy is recognize a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. The Organization has examined this issue and has determined there are no material contingent tax liabilities at December 31, 2021. The Organization's federal Exempt Organization Income Tax Returns (Form 990) for 2018, 2019 and 2020 are subject to examination by the IRS, generally for three years after they are filed.

MEDICAL MALPRACTICE LIABILITY CLAIMS

The Organization recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Medical malpractice liability claims are described more fully in Note 7.

RECENT ACCOUNTING PRONOUNCEMENTS

Leases

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization will adopt this guidance in fiscal year 2022. The Organization has evaluated the impact of this new standard and expects it will result in the recognition of both the right-of-use asset and right-of-use liability within the consolidated balance sheets for operating leases in place. The Organization doesn't expect the adoption of this standard to have a material impact on the amounts recognized in the consolidated statement of operations.

SHALOM HEALTH CARE CENTER, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 28, 2022, which is the date the financial statements were available to be issued.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at various financial institutions. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 for interest bearing and for the full balance in non-interest-bearing accounts. At times throughout the year, the balances maintained in interest bearing accounts exceeded \$250,000. The Organization's uninsured cash balances totaled \$1,837,756 for the year ended December 31, 2021.

Financial awards from federal, state and local governmental entities in the form of grants are subject to financial and compliance audits by funding agencies. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors at December 31, 2021 is:

	<u>2021</u>
Medicare	34%
Medicaid	36%
Other third-party payors	17%
Patients	13%
Total	<u><u>100%</u></u>

SHALOM HEALTH CARE CENTER, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 – GRANT REVENUE AND CONDITIONAL GRANTS AND CONTRIBUTIONS

The Organization is the recipient of a Consolidated Health Centers (CHC) grant from the U.S. Department of Health and Human Services. The general purpose of the grant is to provide expanded health care service delivery for the medically underserved population in Marion County, Indiana. Terms of the grant generally provide for funding of the Organization's operations based on an approved budget. Grant revenue is recognized as qualifying expenditures are incurred over the grant period. During the years ended December 31, 2021 the Organization recognized \$3,606,783, in CHC grant revenue in the current budget notice.

In addition to the above grants, the Center receives additional financial support from other federal, state and private sources. Generally, such support requires compliance with terms and conditions specified in grant agreements and must be renewed on an annual basis. The Organization has received the following conditional grants and promises to give at December 31, 2021 that are not recognized in the consolidated financial statements:

	<u>2021</u>
Given upon incurring allowable expenditures under the agreement	<u>\$ 3,541,261</u>

NOTE 4 – PATIENT SERVICE AND SCHOOL-BASED CONTRACT REVENUE

Patient service and school-based contract revenue are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care and services within its school-based clinics.

Patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for providing patient care. These amounts are due from patients, third-party payers (including health insurers and government programs) and others and includes variable consideration for retroactive adjustments due to settlement of audits, reviews and investigations. Generally, the Organization bills patients and third-party payers after the services are performed. Revenue is recognized as performance obligations are satisfied which is at the point of service. Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and the Organization does not believe it is required to provide additional goods or services to the patient. School-based contract revenue is due from various contracted school systems and is billed monthly throughout the school year. Revenue is recognized as performance obligations are satisfied.

SHALOM HEALTH CARE CENTER, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 – PATIENT SERVICE AND SCHOOL-BASED CONTRACT REVENUE
(continued)

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Organization’s policy and/or implicit price concessions provided to uninsured patients. The Organization determines its estimates of contractual adjustments discounts based on contractual agreements, its discount policies, and historical experience. The Organization determines its estimate of implicit price concessions based on historical collection experience with this class of patients. Agreements with third-party payers provide for payments at amounts less than established charges.

A summary of the payment arrangements with major third-party payers follows:

Medicaid and Medicare: Reimbursements for Medicaid and Medicare services are generally paid at prospectively determined rates per discharge, per occasion of services, or per covered member.

Other: Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

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.

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. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews and investigations.

SHALOM HEALTH CARE CENTER, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 – PATIENT SERVICE AND SCHOOL-BASED CONTRACT REVENUE
(continued)

PATIENT AND UNINSURED PAYORS

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 implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history with those patients. 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 also has 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 based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient’s ability to pay are recorded as bad debt expense. Adjustments arising from a change in the transaction price were not significant in 2021.

REFUND LIABILITIES

From time to time, the Organization will receive overpayments of patient balances from third-party payors or patients resulting in amounts owed back to either the patients or third-party payors. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of December 31, 2021, there were no material refund liabilities.

REVENUE COMPOSITION

The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors: payors, service lines and the timing of revenue recognition. Tables providing details of these factors are presented below.

SHALOM HEALTH CARE CENTER, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 – PATIENT SERVICE AND SCHOOL-BASED CONTRACT REVENUE
(continued)

REVENUE COMPOSITION (continued)

The composition of patient service revenue by primary payor for the years ended December 31, 2021 is as follows:

	2021
Medicaid	\$ 2,639,833
Medicare	(5,171)
Other Third-party payors	110,248
Patients	362,790
	\$ 3,107,700

Revenue from patients’ deductibles and coinsurance are included in the categories presented above based on the primary payor. The composition of patient service revenue based on lines of business and timing of revenue recognition for the year ended December 31, 2021 is as follows:

	2021
Timing of revenue recognition	
Health care services transferred over time	\$ 3,107,700
School-based revenues transferred over time	1,012,930
Pharmacy sales at point in time	167,161
	\$ 4,287,791

FINANCING COMPONENT

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 those services 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.

SHALOM HEALTH CARE CENTER, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 – LONG-TERM DEBT

Long-term debt consists of the following as of December 31:

	2021
The Organization entered into a \$600,000 revolving line of credit agreement in April 2018, which expired in January 2020. During 2020, the agreement was amended to convert \$200,750 of the outstanding principal to a term loan and extended the remaining \$400,000 line of credit through March 2021. Interest on amended agreement varies at prime plus 0.50%. Subsequent to year-end, the agreement was amended to extend the maturity to July 2022.	\$ 310,730
In July 2017, the Organization executed a note payable with American Finance Leasing for \$44,000 due June 2022. The note has monthly principle and interest payments of \$850 at 6.00%.	5,360
The Organization executed a note payable with American Capital Financial Services in January 2019 for \$39,385. The note matures in November 2023 and has monthly principle and interest payments of \$784 at 7.50%.	16,492
The Organization executed a note payable with Wayne Bank in April 2018 for \$1,800,000. In 2020, the loan was refinanced to extend the term to July 2038 with monthly principle and interest payments of \$11,578 at 4.50% for the first 60 payments and \$11,578 with interest varying monthly at the prime rate plus 1.25% for subsequent payments through maturity.	1,618,868
Total long-term debt	1,951,450
Current portion	(390,359)
Total long-term debt, net of current portion	\$ 1,561,091

SHALOM HEALTH CARE CENTER, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6 – OPERATING LEASES

The Organization has an operating lease for office space which expires in 2022. The lease has optional termination language where it may terminate if the Organization loses governmental grant funding needed to operate the facility. The lease requires the Organizations to pay all executory costs (property taxes, maintenance, and insurance). Rental and lease expense excluding in-kind rent, for years ended December 31, 2021 was \$172,596.

Future minimum lease payments under operating leases as of December 31, 2021 are:

2022	\$ 177,776
Thereafter	-
	<u>\$ 177,776</u>

In April 2019, the Organization entered into an agreement to lease a portion of its owned facility to an unrelated third party. The lease expires March 2027 and requires monthly rental payments to the Organization of \$16,625 through March 2023 and \$17,115 from April 2023 through maturity. In accordance with the terms of the agreement, the lessee funded approximately \$275,000 of furniture and leasehold improvements. These improvements are assets of the Organization, and the advance funding has been recorded as deferred rental income totaling \$178,079 at December 31, 2021.

Future minimum lease payments receivables at December 31, 2021 were:

2022	\$ 199,500
2023	203,910
2024	205,380
2025	205,380
2026	205,380
Thereafter	51,345
	<u>\$ 1,070,895</u>

SHALOM HEALTH CARE CENTER, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7 – MEDICAL MALPRACTICE CLAIMS

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.

The Organization purchases primary and excess liability malpractice insurance under claims-made policies for certain services and other portions of the Center not covered under FTCA. Management does not expect any claims to exceed malpractice insurance coverage.

Claim liabilities are to be determined without consideration of insurance recoveries. Expected recoveries are presented separately. Based upon the Organization's claims experience, no accrual has been made for medical malpractice costs for the year ended December 31, 2021. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

NOTE 8 – RETIREMENT PLAN

The Organization offers a Section 403(b) retirement plan to eligible employees. Under the plan, the Organization matches employees' contributions on a discretionary basis up to 3% and half of employees' contributions greater than 3% up to 5% of eligible compensation. For the year ended December 31, 2021, the Organization contributed approximately \$109,664 to this plan.

NOTE 9 – INFORMATION ABOUT LIQUIDITY

Financial assets available for general expenditures, that is, without donor restrictions or other restrictions limiting their use, within one year of December 31, 2021, comprise the following:

	<u>2021</u>
Cash	\$ 2,283,718
Accounts receivable	<u>483,813</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,767,531</u>

The Organization manages its liquidity through a policy to structure financial assets and maintaining adequate liquid resources to fund near-term operating needs.

SHALOM HEALTH CARE CENTER, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 10 – SIGNIFICANT ESTIMATES AND CONCENTRATIONS

LITIGATION

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 may be in areas not covered by the Organization's insurance policies. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

340B DRUG PRICING PROGRAM

The Center participates in the 340B Drug Pricing Program (340B Program) enabling the Center to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA conducts routine audits of these programs at health care centers and is increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

NOTE 11 – COVID-19 PANDEMIC AND CARES ACT FUNDING

PAYCHECK PROTECTION PROGRAM (PPP) LOAN

In April 2020, the Organization applied for and received a Paycheck Protection Program (PPP) loan as authorized in the Coronavirus Aid, Relief and Economic Security Act (CARES Act) totaling \$1,229,600. The Organization received a second PPP loan in February 2021 in the amount of \$1,276,025.

The Organization has elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, Revenue Recognition. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. During 2020 and 2021, the Organization recognized \$1,229,600 and \$1,276,025, respectively, of forgiveness revenue as conditions were met which is included in other revenues in the consolidated statements of operations and changes in net assets. The Organization received notice that both PPP loans were forgiven in its entirety in 2021.

SHALOM HEALTH CARE CENTER, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 11 – COVID-19 PANDEMIC AND CARES ACT FUNDING (continued)

PROVIDER RELIEF FUND

At the end of 2020, the Organization received \$594,276 of distributions from the CARES Act Provider Relief Fund (collectively the Provider Relief Fund). These distributions from the Provider Relief Fund are not subject to repayment, provided the Organization is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services. Management used these funds on qualifying expenses in 2021 and therefore the revenue was recognized in 2021.

In December of 2021, the Organization received \$812,601 of additional Provider Relief Funds. The \$812,601 was not recognized as revenue in 2021 and has been recorded as a refundable advance, until the Organization is able to attest to and comply with the terms and conditions of the funding.

The Organization will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Organization's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the Organization is unable to attest to or comply with current or future terms and conditions, the Organization's ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the consolidated financial statements compared to the Organization's Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

Net assets as of January 1, 2021 were restated and reduced \$211,567 for some receivables and payables for the year ended December 31, 2020 that were not recorded in the prior year.

SUPPLEMENTARY INFORMATION

SHALOM HEALTH CARE CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

FEDERAL GRANTOR AGENCY Passthrough Agency Program Title	Federal Assistance Listing	Grant or Identifying Number	Grant Award (in dollars \$)	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Awards:				
Health Center Program Cluster	93.224	H80CS00880-18-01	259,943	\$ 53,977
Health Center Program Cluster	93.527	H80CS00880-18-04	465,503	319,499
Health Center Program Cluster	93.527	H80CS00880-18-06	212,750	141,061
	93.224/			
Health Center Program Cluster	93.527	H80CS00880-19-00	1,917,013	1,597,514
Health Center Program Cluster	93.224	H80CS00880-19-01	259,943	185,100
Health Center Program Cluster	93.224	H80CS00880-19-03	83,500	69,583
Health Center Program Cluster	93.224	H8DCS35678-01-00	907,340	228,393
Health Center Program Cluster	93.224	H8ECS38681-01-00	314,974	145,648
Health Center Program Cluster	93.224	H8FCS40950-01-00	3,567,375	866,008
Subtotal				<u>3,606,783</u>
Provider Relief Funds	93.498	12/16/2020	507,741	507,741
Provider Relief Funds	93.498	12/18/2020	86,535	86,535
				<u>594,276</u>
Passed through from Health and Hospital Corporation of Marion County				
Ryan White Program Part C EIS COVID -10 Response	93.918	H7CHA37107	50,000	48,437
Integrated HIV Programs Ending the HIV Epidemic	93.940	NU62PS924617	99,500	13,131
Passed through from Indiana State Department of Health				
Integrated HIV Programs Ending the HIV Epidemic	93.940	#49967	45,000	42,675
Subtotal				<u>55,806</u>
Passed through from Indiana State Department of Health				
Substance Abuse Prevention & Treatment Block Grant	93.959	#50098	55,000	55,000
Passed through from The Medical College of Wisconsin, Inc.				
Mental Health Research Grants	93.242	5R01MH116787-03	127,663	101,609
Total for U.S. Department of Health and Human Services				<u>4,461,911</u>
Total Expenditures of Federal Awards				<u><u>\$ 4,461,911</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

SHALOM HEALTH CARE CENTER, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Shalom Health Care Center, Inc. and is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3 – INDIRECT COST RATE

Shalom Health Care Center, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

NOTE 4 – FEDERAL LOAN PROGRAMS

Shalom Health Care Center, Inc. did not have any federal loan programs during the years ended December 31, 2020.

**SHALOM HEALTH CARE CENTER, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Section II – Financial Statement Findings

Reference Number	Finding
2020-01	<p>Criteria or Specific Requirement: Internal Control Over Financial Reporting</p> <p>Condition: Certain internal controls surrounding various transaction classes did not timely detect adjustments related to deferred rent, accrued expenses, in-kind contributions and expenses, and patient accounts receivables.</p> <p>Recommendation: Although the adjustments made were not associated with federal grants, we recommend that the Organization evaluate current accounting processes and controls for the identified transaction classes to ensure appropriate reconciliation, review, and timely and accurate financial reporting.</p> <p>Current Status: Similar finding in 2021.</p>

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
2020-02	<p>Federal Program Name: Health Center Program Cluster</p> <p>Federal Agency: U.S. Department of Health and Human Services</p> <p>FALN Title and Number: Health Center Program Cluster, FALN 93.224 and 93.527</p> <p>Criteria or Specific Requirement: Special Tests and Provisions – The Organization must prepare and apply a sliding fee discount schedule so that amounts owed for health center services by eligible patients are adjusted (discounted) based on the patient’s ability to pay.</p> <p>Condition: Application of the sliding fee discount was not appropriately applied.</p> <p>Recommendation: We recommend that the Organization evaluate current review processes and controls for the application of the sliding fee discount to ensure that all information collected from patients is reviewed and appropriate slide is processes. This includes information collected subsequent to the date of service.</p> <p>Current Status: Management implemented a policy and procedure in 2021 requiring all sliding fee discounts to be reviewed. No similar findings were identified in 2021.</p>

**SHALOM HEALTH CARE CENTER, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Section III – Federal Award Findings and Questioned Costs (continued)

Reference Number	Finding
2020-03	<p>Federal Program Name: Health Center Program Cluster</p> <p>Federal Agency: U.S. Department of Health and Human Services</p> <p>FALN Title and Number: Health Center Program Cluster, FALN 93.224 and 93.527</p> <p>Criteria or Specific Requirement: Reporting – the Organization is required to file a quarterly and annual Federal Financial Report (SF-425) and the Uniform Data System.</p> <p>Condition: Elements of program income were not appropriately reported in the annual Federal Financial Report.</p> <p>Recommendation: We recommend that the Organization evaluate current review processes and controls for the submission of required reporting elements. Documentation should be maintained to support the reported amounts which can be reconciled to other financial reporting systems.</p> <p>Current Status: Management completed and submitted the annual Federal Financial Report for 2021 properly reporting the elements of program income.</p>



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**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 Directors
Shalom Health Care Center, Inc.
Indianapolis, IN

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of the Shalom Health Care Center, Inc.(a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon September 28, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shalom Health Care Center, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Shalom Health Care Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the organization'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization'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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies described in the accompanying schedule of findings and questioned cost as item 2021-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

The Organization's Response to Findings

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
Indianapolis, Indiana
September 28, 2022



INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

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

To the Board of Directors
Shalom Health Care Center, Inc.
Indianapolis, IN

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Shalom Health Care 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 Shalom Health Care Center, Inc.'s major federal programs for the year ended December 31, 2021. Shalom Health Care 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 our opinion, Shalom Health Care Center, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

We have audited Shalom Health Care Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Shalom Health Care Center, Inc.'s major federal programs for the year ended December 31, 2021. Shalom Health Care 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.

Basis for Opinion on Each Major Federal Program

We conducted our 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Shalom Health Care Center, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Shalom Health Care 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 Shalom Health Care Center, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Shalom Health Care Center, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Shalom Health Care 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Shalom Health Care Center, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Shalom Health Care 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 Shalom Health Care Center, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
Indianapolis, Indiana
September 28, 2022

**SHALOM HEALTH CARE CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified? Yes No

Type of auditor’s report issued: Unmodified

Any audit findings disclosed required to be reported in
Accordance with 2 CFR section 200.516(a) Yes No

Program tested as major program:

FALN Number

93.224 / 93.527

Name of Federal Program or Cluster

Department of Health and Human Services
Health Center Program Cluster

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee? Yes No

**SHALOM HEALTH CARE CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

Section II – Financial Statement Findings

2021-01	<p>Criteria or Specific Requirement: Internal Control Over Financial Reporting</p> <p>Condition: Certain internal controls surrounding various transaction classes did not timely detect adjustments related to accounts receivables, accrued expenses, payroll allocations, and financial reporting for grant expenditures.</p> <p>Effect: Adjustments were required to prevent misstatements in the transaction classes identified.</p> <p>Cause: Internal controls surrounding account reconciliation and review were not adequately applied to ensure that general ledger accounts, financial statements, and grant segment reporting were appropriately stated. Staff turnover in the fiscal department contributed to the break down in internal controls.</p> <p>Repeat Finding: Yes</p> <p>Recommendation: We recommend that the Organization continue to fill vacant positions to fully implement accounting processes and controls for the identified transaction classes to ensure appropriate reconciliation, review, and timely and accurate financial reporting. Oversight responsibilities should include review of monthly receivable balances, financial reporting by cost centers to verify proper posting and allocation of costs.</p> <p>Views of Responsible Officials and Planned Corrective Action: The following steps have been taken or will be taken to address Finding 2021-001:</p> <ul style="list-style-type: none">• Shalom Health Care Center, Inc. continues to focus on the reconciliation process for all balance sheet accounts and those areas where adjustments were identified.• Shalom Health Care Center, Inc. is evaluating resource needs within the finance department to allocate resources more effectively and allow for timely completion and review of reconciliations within the financial reporting process.
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SHALOM HEALTH CARE CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

Section III – Federal Award Findings and Questioned Costs

No findings or questioned costs for the year ended December 31, 2021.