

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

**COMBINED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021

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

YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Trenton Health Team, Inc. and Trenton Health Team ACO, Inc. (nonprofit organizations), which comprise the combined statement of financial position as of December 31, 2021, and the related combined 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 Trenton Health Team, Inc. and Trenton Health Team ACO, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Trenton Health Team, Inc. and Trenton Health Team ACO, 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Trenton Health Team, Inc. and Trenton Health Team ACO, Inc.'s ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 combined 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 Trenton Health Team, Inc. and Trenton Health Team ACO, 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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Trenton Health Team, Inc. and Trenton Health Team ACO, 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 combined financial statements as a whole. The accompanying schedules of Budgeted and Incurred Costs, as required by the State of New Jersey Department of Health, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2022, on our consideration of Trenton Health Team, Inc. and Trenton Health Team ACO, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Trenton Health Team, Inc. and Trenton Health Team ACO, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Trenton Health Team, Inc. and Trenton Health Team ACO, Inc.'s internal control over financial reporting and compliance.

Klatzkin & Company, LLP

KLATZKIN & COMPANY_{LLP}

Hamilton, New Jersey
November 15, 2022

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

COMBINED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

	<u>Trenton Health Team, Inc.</u>	<u>Trenton Health Team ACO Inc.</u>	<u>Total</u>	<u>Eliminations</u>	<u>Combined</u>
ASSETS					
Cash and Cash Equivalents.....	\$ 3,164,506	\$ -	\$ 3,164,506	\$ -	\$ 3,164,506
Grants and Contributions Receivable.....	1,057,067	-	1,057,067	-	1,057,067
Accounts Receivable, Net of Allowance for Doubtful Accounts.....	395,253	-	395,253	-	395,253
Prepaid Expenses.....	214,113	-	214,113	-	214,113
Security Deposit.....	5,000	-	5,000	-	5,000
Property and Equipment, Net of Accumulated Depreciation.....	<u>113,583</u>	<u>-</u>	<u>113,583</u>	<u>-</u>	<u>113,583</u>
TOTAL ASSETS.....	<u>\$ 4,949,522</u>	<u>\$ -</u>	<u>\$ 4,949,522</u>	<u>\$ -</u>	<u>\$ 4,949,522</u>
LIABILITIES AND NET ASSETS					
<u>Liabilities</u>					
Accounts Payable.....	\$ 157,151	\$ -	\$ 157,151	\$ -	\$ 157,151
Accrued Expenses.....	325,271	-	325,271	-	325,271
Deferred Revenue.....	345,147	-	345,147	-	345,147
Refundable Advance - Paycheck Protection Program.....	27,924	-	27,924	-	27,924
Refundable Advances.....	<u>1,635,484</u>	<u>-</u>	<u>1,635,484</u>	<u>-</u>	<u>1,635,484</u>
Total Liabilities.....	<u>2,490,977</u>	<u>-</u>	<u>2,490,977</u>	<u>-</u>	<u>2,490,977</u>
<u>Net Assets</u>					
Without Donor Restrictions.....	1,144,477	-	1,144,477	-	1,144,477
With Donor Restrictions.....	<u>1,314,068</u>	<u>-</u>	<u>1,314,068</u>	<u>-</u>	<u>1,314,068</u>
Total Net Assets.....	<u>2,458,545</u>	<u>-</u>	<u>2,458,545</u>	<u>-</u>	<u>2,458,545</u>
TOTAL LIABILITIES AND NET ASSETS.....	<u>\$ 4,949,522</u>	<u>\$ -</u>	<u>\$ 4,949,522</u>	<u>\$ -</u>	<u>\$ 4,949,522</u>

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

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

COMBINED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Trenton Health Team, Inc.</u>	<u>Trenton Health Team ACO Inc.</u>	<u>Total</u>	<u>Eliminations</u>	<u>Combined</u>
Net Assets Without Donor Restrictions:					
Support and Revenue					
Grant and Contract Revenue.....	\$ 1,398,761	\$ -	\$ 1,398,761	\$ -	\$ 1,398,761
Government Grants and Contributions.....	1,075,827	1,279,447	2,355,274	-	2,355,274
HIE Subscription Fees.....	762,476	-	762,476	(229,167)	533,309
ACO Management Fee and Reimbursed Costs.....	864,962	-	864,962	(838,119)	26,843
Fee For Service Revenue.....	1,312,750	-	1,312,750	-	1,312,750
Contributions.....	193,738	-	193,738	-	193,738
In-Kind and Non-cash Contributions.....	17,275	-	17,275	-	17,275
Net Investment Return.....	823	-	823	-	823
Net Assets Released from Donor Restrictions.....	<u>592,623</u>	<u>-</u>	<u>592,623</u>	<u>-</u>	<u>592,623</u>
Total Support and Revenue.....	<u>6,219,235</u>	<u>1,279,447</u>	<u>7,498,682</u>	<u>(1,067,286)</u>	<u>6,431,396</u>
Expenses					
Program Services.....	5,162,560	1,199,556	6,362,116	(987,527)	5,374,589
Management and General.....	672,196	62,404	734,600	(62,396)	672,204
Fundraising.....	<u>93,517</u>	<u>17,487</u>	<u>111,004</u>	<u>(17,363)</u>	<u>93,641</u>
Total Expenses.....	<u>5,928,273</u>	<u>1,279,447</u>	<u>7,207,720</u>	<u>(1,067,286)</u>	<u>6,140,434</u>
Change in Net Assets Without Donor Restrictions.....	<u>290,962</u>	<u>-</u>	<u>290,962</u>	<u>-</u>	<u>290,962</u>
Net Assets With Donor Restrictions:					
Contributions.....	1,686,760	-	1,686,760	-	1,686,760
Net Assets Released from Donor Restrictions.....	<u>(592,623)</u>	<u>-</u>	<u>(592,623)</u>	<u>-</u>	<u>(592,623)</u>
Change in Net Assets With Donor Restrictions.....	<u>1,094,137</u>	<u>-</u>	<u>1,094,137</u>	<u>-</u>	<u>1,094,137</u>
Change in Net Assets.....	<u>1,385,099</u>	<u>-</u>	<u>1,385,099</u>	<u>-</u>	<u>1,385,099</u>
Net Assets - Beginning of Year.....	1,073,259	187	1,073,446	-	1,073,446
Transfer of Net Assets.....	<u>187</u>	<u>(187)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets - End of Year.....	<u>\$ 2,458,545</u>	<u>\$ -</u>	<u>\$ 2,458,545</u>	<u>\$ -</u>	<u>\$ 2,458,545</u>

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

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

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Trenton Health Team, Inc.</u>				<u>Trenton Health Team ACO, Inc.</u>				<u>Eliminations</u>	<u>Combined Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>		
Salaries.....	\$ 2,432,141	\$ 223,570	\$ 70,165	\$ 2,725,876	\$ 384,515	\$ -	\$ 17,363	\$ 401,878	\$ (401,878)	\$2,725,876
Payroll Taxes and Employee Benefits.....	495,054	45,507	14,282	554,843	63,689	-	-	63,689	(63,689)	554,843
Professional and Consultants.....	975,386	281,305	1,523	1,258,214	507,070	62,396	-	569,466	(516,078)	1,311,602
Program Expenses - Sub-awards and Mini-grants....	153,732	-	-	153,732	9,551	-	-	9,551	-	163,283
Program Expenses.....	810,274	-	-	810,274	190,007	-	-	190,007	(85,641)	914,640
Occupancy.....	165,749	9,115	3,112	177,976	2,793	-	-	2,793	-	180,769
Staff Education and Training.....	4,761	13,818	-	18,579	-	-	-	-	-	18,579
Travel and Meetings.....	5,758	7,483	-	13,241	287	-	-	287	-	13,528
Office Expense.....	28,937	25,710	22	54,669	34,526	8	-	34,534	-	89,203
Insurance.....	29,623	9,357	-	38,980	614	-	-	614	-	39,594
Technology Support and Software.....	37,908	55,464	4,117	97,489	3,764	-	-	3,764	-	101,253
Depreciation and Amortization.....	23,237	867	296	24,400	2,740	-	124	2,864	-	27,264
Total Expenses.....	\$ 5,162,560	\$ 672,196	\$ 93,517	\$ 5,928,273	\$ 1,199,556	\$ 62,404	\$ 17,487	\$ 1,279,447	\$ (1,067,286)	\$6,140,434

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

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

COMBINED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Trenton Health Team, Inc.</u>	<u>Trenton Health Team ACO Inc.</u>	<u>Total</u>	<u>Eliminations</u>	<u>Combined</u>
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities:					
Cash Received from Grantors and Contributors.....	\$ 5,733,531	\$ 1,762,590	\$7,496,121	\$ (721,238)	\$6,774,883
Cash Paid to Vendors and Employees.....	(5,628,746)	(934,792)	(6,563,538)	721,238	(5,842,300)
Interest Received.....	823	-	823	-	823
	<u>105,608</u>	<u>827,798</u>	<u>933,406</u>	<u>-</u>	<u>933,406</u>
Net Cash Provided by (Used in) Operating Activities.....					
Cash Flows from Investing Activities:					
Cash Transferred from THT-ACO Upon Dissolution.....	839,172	(839,172)	-	-	-
Purchases of Property and Equipment.....	(30,900)	-	(30,900)	-	(30,900)
	<u>808,272</u>	<u>(839,172)</u>	<u>(30,900)</u>	<u>-</u>	<u>(30,900)</u>
Net Cash Provided by (Used in) Investing Activities.....					
Net Increase (Decrease) in Cash and Cash Equivalents.....	913,880	(11,374)	902,506	-	902,506
Cash and Cash Equivalents at Beginning of Year.....	<u>2,250,626</u>	<u>11,374</u>	<u>2,262,000</u>	<u>-</u>	<u>2,262,000</u>
Cash and Cash Equivalents at End of Year.....	<u>\$ 3,164,506</u>	<u>\$ -</u>	<u>\$3,164,506</u>	<u>\$ -</u>	<u>\$3,164,506</u>

Supplemental Disclosure:

There were no amounts paid for income taxes or interest for the year ended December 31, 2021.

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

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

COMBINED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Trenton Health Team, Inc.</u>	<u>Trenton Health Team ACO Inc.</u>	<u>Total</u>	<u>Eliminations</u>	<u>Combined</u>
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities					
Change in Net Assets.....	\$ 1,385,099	\$ -	\$ 1,385,099	\$ -	\$ 1,385,099
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:					
Depreciation and Amortization Expense.....	24,400	2,864	27,264	-	27,264
(Increase) Decrease in Accounts Receivable.....	(214,146)	-	(214,146)	-	(214,146)
(Increase) Decrease in Grants and Contributions Receivable.....	(470,255)	(295,930)	(766,185)	-	(766,185)
(Increase) Decrease in Due from Affiliate.....	(346,048)	-	(346,048)	346,048	-
(Increase) Decrease in Prepaid Expenses.....	(20,886)	(4,257)	(25,143)	-	(25,143)
Increase (Decrease) in Accounts Payable.....	103,744	-	103,744	-	103,744
Increase (Decrease) in Due to Affiliate.....	-	346,048	346,048	(346,048)	-
Increase (Decrease) in Accrued Expenses.....	192,269	-	192,269	-	192,269
Increase (Decrease) in Refundable Advance.....	(558,049)	842,717	284,668	-	284,668
Increase (Decrease) in Deferred Revenue.....	9,480	(63,644)	(54,164)	-	(54,164)
Total Adjustments.....	<u>(1,279,491)</u>	<u>827,798</u>	<u>(451,693)</u>	<u>-</u>	<u>(451,693)</u>
Net Cash Provided by (Used in) Operating Activities.....	<u>\$ 105,608</u>	<u>\$ 827,798</u>	<u>\$ 933,406</u>	<u>\$ -</u>	<u>\$ 933,406</u>

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

Note 1. Nature of Organization

Trenton Health Team, Inc. ("THT"), a nonprofit corporation located in Trenton, New Jersey, was established in 2010. THT, along with its affiliate Trenton Health Team ACO, Inc. ("ACO") (together, the "Organization"), is dedicated to improving the health and well-being of the greater Trenton community. The Organization's programs are supported by government, foundation, and corporate grants and contributions, fee-for-service agreements, and Trenton Health Information Exchange (HIE) subscriptions.

The Board of Trustees of Trenton Health Team ACO, Inc. passed a resolution on September 27, 2021 to adopt a plan of dissolution. The plan of liquidation called for ACO to pay all of its debts, liabilities, and final expenses. All of the remaining assets of ACO were distributed to THT. ACO filed a certificate of dissolution with the State of New Jersey on December 30, 2021. Operations of ACO will be continued by THT subsequent to the dissolution.

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

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

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2021

Note 1. Nature of Organization (Cont'd)

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

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

Note 2. Summary of Significant Accounting Policies

Principles of Combination:

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

Basis of Presentation:

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

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2021

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

Basis of Presentation (Cont'd):

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

Management's Use of Estimates and Assumptions:

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

Cash and Cash Equivalents:

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

Grants and Contributions Receivable:

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

Accounts Receivable:

Accounts receivable consist primarily of noninterest-bearing amounts due under fee for service contracts and HIE subscriptions. Amounts are mainly due from government agencies and corporations in the healthcare industry located in New Jersey. Accounts receivable are generally due from a few major service recipients. Management determines an allowance for doubtful accounts receivable based on an analysis of each receivable, an assessment of economic conditions, and a review of subsequent collections. All accounts receivable are expected to be fully collected within one year.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2021

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

Property and Equipment and Depreciation:

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

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

Compensated Absences:

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

Refundable Advances:

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2021

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

Public Support and Revenue Recognition:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give are recorded at their net realizable value. Unconditional promises to give due in more than one year are recorded at the present value of their net realizable value, using low risk interest rates applicable to the years in which promises are received to discount the amounts. Unconditional promises to give are included in grants and contributions receivable.

Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are recognized when the conditions on which they are dependent are substantially satisfied. Consequently, at December 31, 2021, conditional pledges of \$2,160,038 have not yet been recognized in the accompanying Combined Statement of Activities because the conditions of which they depend have not yet been met. The conditions are primarily the incurrence of expenses in accordance with the grant agreements.

Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Combined Statement of Activities as net assets released from restrictions.

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

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

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

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2021

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

Tax Status:

Trenton Health Team, Inc. and Trenton Health Team ACO, Inc. are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Income generated by activities that would be considered unrelated to the Organization's mission would be subject to tax, which if incurred, would be recognized as a current expense. No such tax has been recognized for the year ended December 31, 2021.

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

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

Concentrations:

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

A significant portion of grant and contract revenue and fee for service revenue was provided by a few major funding sources. Many grants and contracts are temporary in nature. It is always considered reasonably possible that the grantors, contributors, and service recipients might not recur in the near term.

THT received approximately 10% of its revenue from subscriptions to HIE. HIE is maintained on a vendor's software through a software license subscription.

ACO received 100% of its support for the year ended December 31, 2021, from the State of New Jersey as one of its Regional Health Hubs. Funding through September 30, 2021 was provided through the State of New Jersey's fiscal 2021 budget. Funding through December 31, 2021 was provided in the fiscal year 2022 State budget.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2021

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

Functional Allocation of Expenses:

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

Those direct costs which can be identified with a particular program are charged to the program for which they benefit. Indirect expenses that are allocated include salaries, payroll taxes, and benefits, which are allocated on the basis of estimates of time and effort; occupancy costs, which are allocated based on employee headcount; depreciation, which is allocated based on usage of asset; and technology and software costs, which are allocated based on estimated usage.

New Accounting Pronouncements:

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

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). This standard increases transparency about contributed nonfinancial assets (gifts-in-kind) through enhancements to presentation and disclosure. The standard will be effective for annual reporting periods beginning after June 15, 2021. The Organization is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

Date of Management Evaluation of Subsequent Events:

Management has evaluated subsequent events through November 15, 2022, the date on which the financial statements were available to be issued.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2021

Note 3. Available Resources and Liquidity

The following represents the Organization's financial assets at December 31, 2021:

Financial assets at year-end:	
Cash and cash equivalents	\$ 3,164,506
Accounts receivable	395,253
Grants and contributions receivable	<u>1,057,067</u>
Financial assets available to meet cash needs	
for general expenditures within one year	<u>\$ 4,616,826</u>

The Organization receives significant contributions and grants restricted by donors and grantors and consider contributions restricted for programs which are ongoing, major, and central to their annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves to maintain adequate liquid assets to fund near-term operating needs and sufficient reserves to provide reasonable assurance that long-term obligations will be paid in accordance with the terms. This goal is achieved through the Organization's budgeting process and expenditure policies. As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in money market funds and savings accounts. As of December 31, 2021, THT has working capital of \$2,125,849 and an average of 5 months cash on hand based on normal expenditures.

Note 4. Contract Balances

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

The beginning and ending contract balances were as follows:

	December 31,	
	<u>2021</u>	<u>2020</u>
Accounts Receivable	\$ 395,253	\$ 181,107
Deferred Revenue	\$ 345,147	\$ 399,311

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2021

Note 5. Property and Equipment

Following is a summary of property and equipment:

	Estimated useful lives in years	
Improvements	5	\$ 29,159
Vehicles.....	5	72,231
Furniture and Equipment.....	8	<u>111,631</u>
		213,021
Accumulated depreciation		<u>99,438</u>
		<u>\$ 113,583</u>

Depreciation and amortization expense for the year ended December 31, 2021 was \$27,264.

Note 6. Refundable Advance – Paycheck Protection Program

The Organization applied and was approved for a \$347,792 loan in May 2020 under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration (SBA). The Organization recorded the loan as a refundable advance and recorded PPP grant revenue for the expected forgiven amount of \$319,868 in 2020 in accordance with guidance for conditional contributions. The Organization received notification from the SBA on March 23, 2022 that a balance of \$319,868 was forgiven. The Organization expects to repay the unforgiven balance of \$27,924 plus interest accrued at 1% per annum in 2022.

Note 7. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2021 were available for the following purposes:

Trenton Neighborhood Initiative	\$ 947,917
Clinical & Community Service Programs	<u>366,151</u>
Total	<u>\$ 1,314,068</u>

Net assets of \$592,623 were released from donor restrictions through satisfaction of purpose restrictions for the year ended December 31, 2021.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2021

Note 8. Donated Services, Materials, and Facilities

The Organization received donated computer software licenses valued at \$10,695 for the year ended December 31, 2021.

The Organization also received donated clinic and office space valued at \$6,580 for the year ended December 31, 2021.

Note 9. Leases

The Organization leases office space for its operations under a cancelable operating lease which expires July 31, 2023. The current monthly rent payment is \$10,000. Total office rental expense was \$120,000 for the year ended December 31, 2021. Additional short-term rental expense of \$28,142 was incurred during the year ended December 31, 2021.

The following is a schedule of future minimum rental payments for operating leases (with initial or remaining terms in excess of one year) as of December 31, 2021:

<u>Year ended December 31,</u>	<u>Amount</u>
2022.....	\$120,000
2023.....	70,000
2024.....	-
2025.....	-
2026 and thereafter.....	<u>-</u>
Total minimum lease payments.....	<u>\$190,000</u>

Note 10. Retirement Plan

The Organization has a 401(k) retirement plan covering employees who have completed three consecutive months of service and who are over the age of twenty-one. Participating employees may elect to contribute up to 20% of their base salaries, subject to federally designated limits. The Organization contributes 100% of the first 3% of eligible employee salary deferrals, plus 50% of salary deferrals that exceed 3%, but do not exceed 5% of eligible deferrals. Employer contributions were \$65,523 for the year ended December 31, 2021.

SUPPLEMENTARY INFORMATION

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

SCHEDULE OF BUDGETED AND INCURRED COSTS

GRANT NUMBER: DCHS21CED002

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

FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Cost Category</u>	(Unaudited) Final Approved Budget	Prior Year Audited Expenditure Reports	Current Year Audited Expenditure Reports	Total Expenditures	Questioned Costs
Salaries and Wages.....	\$ 109,770	\$ 44,619	\$ 47,583	\$ 92,202	\$ -
Fringe Benefits.....	21,360	10,204	12,015	22,219	-
Contract Services.....	28,753	1,314	2,431	3,745	-
Travel.....	449	145	157	302	-
Other.....	<u>176,562</u>	<u>36,465</u>	<u>69,182</u>	<u>105,647</u>	-
Total Direct Cost.....	336,894	92,747	131,368	224,115	-
Indirect Cost.....	-	-	-	-	-
Total Costs.....	336,894	92,747	131,368	224,115	-
Less: Program Income.....	-	-	-	-	-
Net Total Cost.....	<u>\$ 336,894</u>	<u>\$ 92,747</u>	<u>\$ 131,368</u>	<u>\$ 224,115</u>	<u>\$ -</u>

See independent auditors' report.

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

SCHEDULE OF BUDGETED AND INCURRED COSTS

GRANT NUMBER: DCHS22CED020

GRANT PERIOD: 7/1/21-6/30/22

FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Cost Category</u>	(Unaudited) Final Approved Budget	Prior Year Audited Expenditure Reports	Current Year Audited Expenditure Reports	Total Expenditures	Questioned Costs
Salaries and Wages.....	\$ 113,616	\$ -	\$ 51,775	\$ 51,775	\$ -
Fringe Benefits.....	27,927	-	11,844	11,844	-
Contract Services.....	17,605	-	8,783	8,783	-
Other.....	<u>360,008</u>	<u>-</u>	<u>79,395</u>	<u>79,395</u>	<u>-</u>
Total Direct Cost.....	519,156	-	151,797	151,797	-
Indirect Cost.....	<u>31,081</u>	<u>-</u>	<u>14,113</u>	<u>14,113</u>	<u>-</u>
Total Costs.....	550,237	-	165,910	165,910	-
Less: Program Income.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Cost.....	<u>\$ 550,237</u>	<u>\$ -</u>	<u>\$ 165,910</u>	<u>\$ 165,910</u>	<u>\$ -</u>

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See independent auditors' report.

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

SCHEDULE OF BUDGETED AND INCURRED COSTS

GRANT NUMBER: DCHS21FIP003

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

FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Cost Category</u>	(Unaudited) Final Approved Budget	Prior Year Audited Expenditure Reports	Current Year Audited Expenditure Reports	Total Expenditures	Questioned Costs
Salaries and Wages.....	\$ 106,657	\$ 20,384	\$ 79,180	\$ 99,564	\$ -
Fringe Benefits.....	21,300	4,118	15,359	19,477	-
Facility Costs.....	1,500	375	1,125	1,500	-
Professional Service Agreements.....	8,036	1,876	6,096	7,972	-
Subawards.....	13,500	-	-	-	-
Supplies.....	600	150	219	369	-
Travel	288	-	900	900	-
Other.....	<u>6,900</u>	<u>350</u>	<u>6,000</u>	<u>6,350</u>	<u>-</u>
Total Direct Cost.....	158,781	27,253	108,879	136,132	-
Indirect Cost.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Costs.....	158,781	27,253	108,879	136,132	-
Less: Program Income.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Cost.....	<u>\$ 158,781</u>	<u>\$ 27,253</u>	<u>\$ 108,879</u>	<u>\$ 136,132</u>	<u>\$ -</u>

See independent auditors' report.

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

SCHEDULE OF BUDGETED AND INCURRED COSTS

GRANT NUMBER: DCHS22FIP002

GRANT PERIOD: 10/1/21-9/30/22

FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Cost Category</u>	(Unaudited) Final Approved Budget	Prior Year Audited Expenditure Reports	Current Year Audited Expenditure Reports	Total Expenditures	Questioned Costs
Salaries and Wages.....	\$ 94,485	\$ -	\$ 13,317	\$ 13,317	\$ -
Fringe Benefits.....	18,780	-	2,635	2,635	-
Facility Costs.....	1,500	-	375	375	-
Professional Service Agreements.....	5,151	-	1,095	1,095	-
Subawards.....	18,000	-	-	-	-
Supplies.....	5,400	-	1,125	1,125	-
Travel.....	280	-	-	-	-
Training.....	-	-	-	-	-
Other.....	<u>751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Direct Cost.....	144,347	-	18,547	18,547	-
Indirect Cost.....	<u>14,435</u>	<u>-</u>	<u>3,621</u>	<u>3,621</u>	<u>-</u>
Total Costs.....	158,782	-	22,168	22,168	-
Less: Program Income.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Cost.....	<u>\$ 158,782</u>	<u>\$ -</u>	<u>\$ 22,168</u>	<u>\$ 22,168</u>	<u>\$ -</u>

See independent auditors' report.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of TRENTON HEALTH TEAM, INC. and its affiliate TRENTON HEALTH TEAM ACO, INC. (nonprofit organizations), which comprise the combined statement of financial position as of December 31, 2021, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated November 15, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered Trenton Health Team, Inc. and Trenton Health Team ACO, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Trenton Health Team, Inc. and Trenton Health Team ACO, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Trenton Health Team, Inc. and Trenton Health Team ACO, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's combined financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Klatzkin & Company, LLP

KLATZKIN & COMPANY_{LLP}

Hamilton, New Jersey
November 15, 2022