

La Comunidad Hispana, Inc.

Financial Statements
Years Ended June 30, 2020 and 2019



1835 Market Street, 3rd Floor
Philadelphia, PA 19103

215/567-7770 | bbdcpa.com

LA COMUNIDAD HISPANA, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
La Comunidad Hispana, Inc.

We have audited the accompanying financial statements of La Comunidad Hispana, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of La Comunidad Hispana, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BBD, LLP

Philadelphia, Pennsylvania
October 29, 2020

LA COMUNIDAD HISPANA, INC.**STATEMENTS OF FINANCIAL POSITION**

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash	\$3,724,204	\$3,086,403
Accounts receivable		
Patient services, net of an allowance for uncollectible accounts of \$55,274 and \$54,588 as of June 30, 2020 and June 30, 2019	198,877	261,965
Government and other grants	665,902	156,672
Contributions receivable, current portion	236,280	227,270
Prepaid expenses and other	<u>201,017</u>	<u>192,712</u>
Total current assets	<u>5,026,280</u>	<u>3,925,022</u>
OTHER ASSETS		
Property and equipment	3,283,351	3,308,251
Contributions receivable, net of current portion	-	50,000
Beneficial interest in assets held by community foundation	<u>120,328</u>	<u>119,969</u>
Total other assets	<u>3,403,679</u>	<u>3,478,220</u>
Total assets	<u>\$8,429,959</u>	<u>\$7,403,242</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of note payable	\$ 80,159	\$ -
Accounts payable and accrued expenses	596,607	509,497
Deferred revenue	-	15,000
Total current liabilities	<u>676,766</u>	<u>524,497</u>
NONCURRENT LIABILITIES		
Note payable, net of current portion	<u>904,141</u>	<u>-</u>
Total liabilities	<u>1,580,907</u>	<u>524,497</u>
NET ASSETS		
Without donor restrictions		
Operations	3,203,975	3,288,230
Real estate	<u>2,827,815</u>	<u>2,798,659</u>
With donor restrictions	6,031,790	6,086,889
	<u>817,262</u>	<u>791,856</u>
Total net assets	<u>6,849,052</u>	<u>6,878,745</u>
Total liabilities and net assets	<u>\$8,429,959</u>	<u>\$7,403,242</u>

See accompanying notes

LA COMUNIDAD HISPANA, INC.

STATEMENTS OF ACTIVITIES

Years ended June 30, 2020 and 2019

	2020			2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT						
Government and other grants	\$ 3,931,387	\$ -	\$ 3,931,387	\$ 3,770,476	\$ -	\$ 3,770,476
Contributions	1,286,105	621,773	1,907,878	970,251	566,983	1,537,234
Net patient service revenue (net of contractual and other allowances of \$1,811,222 in 2020 and \$1,985,763 in 2019)	2,610,655	-	2,610,655	1,968,242	-	1,968,242
Interest income	11,255	-	11,255	16,591	-	16,591
Other income	24,787	-	24,787	70,455	-	70,455
Net assets released from restrictions	596,726	(596,726)	-	530,471	(530,471)	-
Total revenue and support	<u>8,460,915</u>	<u>25,047</u>	<u>8,485,962</u>	<u>7,326,486</u>	<u>36,512</u>	<u>7,362,998</u>
EXPENSES						
Program services						
Health center	6,578,088	-	6,578,088	5,527,078	-	5,527,078
Enabling services	533,674	-	533,674	408,159	-	408,159
Community services	303,322	-	303,322	308,766	-	308,766
Total program services	<u>7,415,084</u>	<u>-</u>	<u>7,415,084</u>	<u>6,244,003</u>	<u>-</u>	<u>6,244,003</u>
Supporting services						
Management and general	934,824	-	934,824	849,191	-	849,191
Fundraising	166,106	-	166,106	169,175	-	169,175
Total supporting services	<u>1,100,930</u>	<u>-</u>	<u>1,100,930</u>	<u>1,018,366</u>	<u>-</u>	<u>1,018,366</u>
Total expenses	<u>8,516,014</u>	<u>-</u>	<u>8,516,014</u>	<u>7,262,369</u>	<u>-</u>	<u>7,262,369</u>
Changes in net assets before other changes	<u>(55,099)</u>	<u>25,047</u>	<u>(30,052)</u>	<u>64,117</u>	<u>36,512</u>	<u>100,629</u>
OTHER CHANGES						
Loss on disposal of property and equipment	-	-	-	(78,069)	-	(78,069)
Change in value of beneficial interest in assets held by community foundation	-	359	359	-	3,551	3,551
Total other changes	<u>-</u>	<u>359</u>	<u>359</u>	<u>(78,069)</u>	<u>3,551</u>	<u>(74,518)</u>
CHANGE IN NET ASSETS	<u>(55,099)</u>	<u>25,406</u>	<u>(29,693)</u>	<u>(13,952)</u>	<u>40,063</u>	<u>26,111</u>
NET ASSETS						
Beginning of year	<u>6,086,889</u>	<u>791,856</u>	<u>6,878,745</u>	<u>6,100,841</u>	<u>751,793</u>	<u>6,852,634</u>
End of year	<u>\$ 6,031,790</u>	<u>\$ 817,262</u>	<u>\$ 6,849,052</u>	<u>\$ 6,086,889</u>	<u>\$ 791,856</u>	<u>\$ 6,878,745</u>

See accompanying notes

LA COMUNIDAD HISPANA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2020 with comparative totals for 2019

	Program Services			Supporting Services		Totals	
	Health Center	Enabling Services	Community Services	Management and General	Fundraising	2020	2019
Personnel	\$4,115,075	\$380,945	\$191,766	\$693,072	\$118,986	\$5,499,844	\$4,845,879
Bad debt expense	147,000	-	-	-	-	147,000	184,000
Client assistance costs	3,298	11,600	-	-	-	14,898	10,175
Communication costs	264,579	16,621	8,514	33,396	5,433	328,543	328,637
Depreciation	105,929	38,830	3,444	19,606	1,395	169,204	160,461
Dispensary expenses	343,942	-	-	-	-	343,942	200,289
Equipment costs	92,011	4,923	2,245	7,562	8,658	115,399	108,016
Interest	-	-	-	1,886	-	1,886	-
Occupancy	328,256	37,651	11,482	70,318	5,200	452,907	404,663
Office expense	99,734	6,799	68,820	69,461	12,704	257,518	245,222
Professional services	205,512	31,963	8,082	22,084	3,790	271,431	326,737
Supplies	859,385	11	7,393	12,107	8,249	887,145	421,885
Transportation expense	13,367	4,331	1,576	5,332	1,691	26,297	26,405
Total expenses	\$6,578,088	\$533,674	\$303,322	\$934,824	\$166,106	\$8,516,014	\$7,262,369

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See accompanying notes

LA COMUNIDAD HISPANA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2019

	Program Services			Supporting Services		Total
	Health Center	Enabling Services	Community Services	Management and General	Fundraising	
Personnel	\$3,648,615	\$271,775	\$205,607	\$611,811	\$108,071	\$4,845,879
Bad debt expense	182,000	-	-	-	2,000	184,000
Client assistance costs	1,680	8,375	120	-	-	10,175
Communication costs	266,405	14,205	12,122	29,773	6,132	328,637
Depreciation	101,351	26,056	11,597	20,041	1,416	160,461
Dispensary expenses	200,289	-	-	-	-	200,289
Equipment costs	71,110	5,942	6,487	15,994	8,483	108,016
Occupancy	297,105	27,590	20,976	51,932	7,060	404,663
Office expense	90,392	5,334	27,760	109,764	11,972	245,222
Professional services	272,026	46,833	5,253	171	2,454	326,737
Supplies	385,578	-	16,650	361	19,296	421,885
Transportation expense	10,527	2,049	2,194	9,344	2,291	26,405
Total expenses	<u>\$5,527,078</u>	<u>\$408,159</u>	<u>\$308,766</u>	<u>\$849,191</u>	<u>\$169,175</u>	<u>\$7,262,369</u>

See accompanying notes

LA COMUNIDAD HISPANA, INC.**STATEMENTS OF CASH FLOWS**

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ (29,693)	\$ 26,111
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Bad debt expense	147,000	184,000
Depreciation	169,204	160,461
Loss on disposal of property and equipment	-	78,069
Change in value of beneficial interest in assets held by community foundation	(359)	(3,551)
(Increase) decrease in assets		
Accounts receivable	(593,142)	(125,642)
Contributions receivable	40,990	178,045
Prepaid expenses and other	(8,305)	(43,810)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	87,110	49,355
Deferred revenue	(15,000)	11,250
Net cash provided by (used for) operating activities	<u>(202,195)</u>	<u>514,288</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(144,304)</u>	<u>(225,582)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of note payable	<u>984,300</u>	<u>-</u>
Net change in cash	637,801	288,706
CASH		
Beginning of year	<u>3,086,403</u>	<u>2,797,697</u>
End of year	<u>\$3,724,204</u>	<u>\$3,086,403</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 1,886</u>	<u>\$ -</u>

See accompanying notes

LA COMUNIDAD HISPANA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

(1) NATURE OF OPERATIONS

La Comunidad Hispana, Inc. ("**LCH**") is a nonprofit organization based in Kennett Square, Pennsylvania, the mission of which is to change lives by serving southern Chester County as the leading provider of integrated health and community services.

LCH served approximately 8,200 clients in 2020 and 7,600 clients in 2019. LCH's health centers offer primary care, dental care, acute care, prenatal services, pediatric care, preventive screenings, behavioral health counseling and chronic disease management. LCH's social services programs provide information, referral, translation services, health insurance and other benefits, enrollment assistance, legal advice and case management to low-income individuals struggling with financial and cultural adjustment. LCH's education and workforce development programs include English as a Second Language (ESL) classes, Pre-GED (General Education Development) classes, preparation for the U.S. citizenship exam and assistance with job searching and preparation. Using a single, client-centered database, LCH is able to provide each client with seamlessly coordinated services to help them become healthy and stable members of our community.

The COVID -19 outbreak in the United States has caused business disruption through mandated closings. The extent of the future impact of COVID-19 on LCH's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the possible development and distribution of a COVID-19 vaccine, all of which are uncertain and cannot be predicted at this time, and on the additional services and safety-related costs that LCH will incur for as long as the pandemic continues.

(2) SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

LCH reports information regarding its financial position and activities according to the following classes of net assets:

Without donor restrictions

Net assets that are not subject to donor-imposed restrictions.

With donor restrictions

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of LCH and/or the passage of time. When a restriction is satisfied, 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***". Contributions and investment income that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

This category also includes net assets that are subject to donor-imposed restrictions that neither expire by passage of time nor can be satisfied by actions of LCH.

Accounting Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America ("**GAAP**"), management makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

LA COMUNIDAD HISPANA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of LCH. Unobservable inputs reflect LCH's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that LCH has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect LCH's own assumptions.

Concentrations of Credit Risk

Financial instruments which potentially subject LCH to concentrations of credit risk are cash, accounts receivable and contributions receivable. LCH maintains its cash at one financial institution. At times, such deposits may exceed federally-insured limits. LCH has not experienced any losses on its deposits.

Accounts receivable for patient services are more fully described in Note 8. Accounts receivable due from government and other agencies are expected to be collected in 2020. Contributions receivable are expected to be collected as disclosed in Note 3.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. LCH does not charge interest on outstanding balances.

The changes in the valuation allowance for 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 54,588	\$ 59,274
Bad debt expense	147,000	182,000
Write off of uncollectible accounts	<u>(146,314)</u>	<u>(186,686)</u>
Balance, end of year	<u>\$ 55,274</u>	<u>\$ 54,588</u>

Property and Equipment

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at their estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from three years to 40 years.

LA COMUNIDAD HISPANA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

Beneficial Interest in Assets Held by Community Foundation

The beneficial interest in assets held by community foundation is reported at the fair value of the assets maintained in the endowment fund (**See Note 5**).

Government and Other Grants and Contributions

Government and other grants and contributions received are recorded as with donor restrictions or without donor restrictions depending on the absence or existence and nature of any donor restrictions. Donor-restricted government and other grants and contributions whose restrictions are satisfied in the same period are reported as without donor restrictions.

Unconditional government and other grants and contributions are recognized as revenue when the related promise to give is received. Conditional government and other grants and contributions are recognized as revenue when the conditions are satisfied.

LCH recognized revenue of \$3,234,479 in 2020 and \$3,077,129 in 2019 from a single grant from the U.S. Department of Health and Human Services.

Donated Services

LCH recognizes revenue for donated services received when they require specialized skills which would need to be purchased if they were not donated. Donated services are recorded as both revenue and expenses in the accompanying statements of activities and functional expenses at their estimated value at the date of receipt. LCH received donated professional services and supplies of \$674,686 in 2020 and \$235,549 in 2019 for its program and supporting services as follows:

	<u>2020</u>	<u>2019</u>
Health care	\$673,669	\$228,683
Enabling services	208	-
Community services	809	4,700
Fundraising	-	2,166
	<u>\$674,686</u>	<u>\$235,549</u>

Net Patient Service Revenues

Net patient service revenues and related receivables are reported at their estimated net realizable amounts from patients, third-party payors and others at the time the services are rendered.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been presented on a functional basis in the statements of activities and functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Expenses not directly attributable to a specific functional area are allocated, based on estimates of time and effort.

Advertising Costs

LCH expenses advertising costs as incurred. Advertising expense was \$72,745 for 2020 and \$75,779 for 2019.

Income Taxes

LCH qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and no provision or liability for income taxes is included in the accompanying financial statements.

LA COMUNIDAD HISPANA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their tax returns. GAAP prescribes a minimum recognition threshold that a tax position is required to meet in order to be recognized in the financial statements. LCH believes that it had no uncertain tax positions as defined in GAAP.

Accounting Pronouncements Adopted

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. LCH adopted ASU 2014-09 on July 1, 2019 using the modified retrospective method approach.

LCH performed an analysis of revenue streams and transactions under ASU 2014-09, including applying the portfolio approach as a practical expedient to group contracts with similar characteristics such that revenue for a given portfolio would not be materially different than if it were evaluated on a contract-by-contract basis. The adoption of ASU 2014-09 had no impact on the amount of revenue recognized since revenue continues to be recognized as described above.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope and accounting guidance for contributions received and made and assists entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions subject to other guidance, and in determining whether a contribution is conditional. LCH adopted ASU 2018-08 on July 1, 2019.

(3) CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2020 and 2019 are expected to be collected as follows:

	<u>2020</u>	<u>2019</u>
In less than one year	\$236,280	\$227,270
In one to five years	<u>-</u>	<u>50,000</u>
	<u>\$236,280</u>	<u>\$277,270</u>

(4) PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 720,000	\$ 720,000
Building and improvements	2,824,716	2,728,247
Leasehold improvements	79,728	69,218
Furniture and fixtures	949,229	911,904
Vehicles	<u>38,194</u>	<u>38,194</u>
	4,611,867	4,467,563
Less accumulated depreciation	<u>(1,328,516)</u>	<u>(1,159,312)</u>
	<u>\$ 3,283,351</u>	<u>\$ 3,308,251</u>

LA COMUNIDAD HISPANA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

(5) BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

In January 2014, LCH received a contribution of \$100,000 that was restricted by the donor to establish an endowment fund (the "**fund**") with the Chester County Community Foundation (the "**Foundation**") to support the operating, program and capital needs of LCH. The fund has both an endowed component and a quasi-endowed component.

As is standard with community foundation agreements, LCH has irrevocably relinquished its right to the amounts transferred to the Foundation in exchange for future distributions of the fund's earnings. On an annual basis, LCH may request distributions up to 5% of the prior year end asset value of the endowed component of the fund and up to 20% of the prior year end asset value of the quasi-endowed component of the fund. However, the Foundation retains sole discretion regarding distributions.

The value of the endowed component of the fund was \$120,328 at June 30, 2020 and \$119,969 at June 30, 2019 and there was no quasi-endowed component of the fund. LCH did not request or receive any distributions from the Foundation in 2020 or 2019.

(6) LINE OF CREDIT

LCH has a \$350,000 line of credit with a financial institution. Advances under the line of credit bear interest at the prime rate plus .25% with a floor rate of 3.50%, and are secured by LCH's real estate. There were no advances outstanding under the line of credit at June 30, 2020 and 2019.

(7) NOTE PAYABLE

In April 2020, LCH received a loan of \$984,300 under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan is payable in 60 monthly installments from February 2021 to January 2026. The loan bears interest at 1%, is unsecured, is guaranteed by the Small Business Administration, and may be forgiven in its entirety upon meeting certain requirements.

Scheduled principal payments on the note payable at June 30, 2020 are as follow:

Year ending June 30,

2021	\$ 80,159
2022	193,750
2023	195,696
2024	197,662
2025	199,647
2026	<u>117,386</u>
	<u>\$984,300</u>

(8) NET PATIENT SERVICE REVENUE

Net patient service revenue consisted of the following for 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Gross patient service revenue	\$ 4,421,877	\$ 3,954,005
Contractual and other allowances	<u>(1,811,222)</u>	<u>(1,985,763)</u>
Net patient service revenue	<u>\$ 2,610,655</u>	<u>\$ 1,968,242</u>

LA COMUNIDAD HISPANA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

Net patient service revenue was attributable to the following payors for 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Self pay	\$ 544,895	\$ 648,124
Insurance companies	296,585	174,259
Medicare	147,698	87,055
Medicaid	1,078,310	932,143
340(b) drug program	543,167	74,654
Other	<u>-</u>	<u>52,007</u>
	<u>\$2,610,655</u>	<u>\$1,968,242</u>

Patient accounts receivable were due from the following payors at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Self pay	\$ 82,105	\$ 74,710
Insurance companies	53,038	56,737
Medicare	24,731	49,234
Medicaid	63,612	78,336
Other	<u>30,665</u>	<u>57,536</u>
	254,151	316,553
Less: Allowance for uncollectible accounts	<u>(55,274)</u>	<u>(54,588)</u>
	<u>\$198,877</u>	<u>\$261,965</u>

(9) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2020 and 2019 consisted of contributions restricted for the following purposes or periods:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance June 30, 2020</u>
Purpose restrictions				
Health center	\$283,614	\$465,985	\$264,627	\$484,972
Community services	117,964	108,220	112,522	113,662
Special projects	<u>82,368</u>	<u>-</u>	<u>2,368</u>	<u>80,000</u>
	483,946	574,205	379,517	678,634
Time restrictions				
Operations	187,941	47,568	217,209	18,300
To be held in perpetuity				
Beneficial interest in assets held by Community foundation	<u>119,969</u>	<u>359</u>	<u>-</u>	<u>120,328</u>
	<u>\$791,856</u>	<u>\$622,132</u>	<u>\$596,726</u>	<u>\$817,262</u>

LA COMUNIDAD HISPANA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>June 30, 2019</u>
Purpose restrictions				
Health center	\$109,380	\$284,596	\$110,362	\$283,614
Community services	88,547	164,820	135,403	117,964
Special projects	<u>80,000</u>	<u>6,769</u>	<u>4,401</u>	<u>82,368</u>
	277,927	456,185	250,166	483,946
Time restrictions				
Operations	357,448	110,798	280,305	187,941
To be held in perpetuity				
Beneficial interest in assets held by Community foundation	<u>116,418</u>	<u>3,551</u>	<u>-</u>	<u>119,969</u>
	<u>\$751,793</u>	<u>\$570,534</u>	<u>\$530,471</u>	<u>\$791,856</u>

(10) OPERATING LEASES

LCH has entered into lease agreements for three satellite offices, two of which are located in Jennersville, Pennsylvania, and one of which is located in Oxford, Pennsylvania. The leases for the offices in Jennersville, Pennsylvania expire January 2024 and March 2025, respectively. The lease for the office in Oxford, Pennsylvania expires October 2027. Rent for the satellite offices, including common area maintenance charges, was \$283,191 for 2020 and \$251,938 for 2019.

The future minimum lease commitments are \$251,131 for 2021, \$290,914 for 2022, \$297,272 for 2023, \$238,719 for 2024, \$142,866 for 2025, \$115,902 for 2026 and \$158,711 thereafter.

(11) EMPLOYEE BENEFIT PLAN

LCH has established a SIMPLE plan for the benefit of eligible employees. Under the provisions of the plan, employees may make salary reduction contributions to the plan and LCH must make matching contributions equal to the employees' salary reduction contributions up to a maximum of 3% of employees' compensation. LCH's contributions to the plan were \$93,213 for 2020 and \$76,988 for 2019.

(12) ASSETS MEASURED AT FAIR VALUE

The following table presents information about LCH's assets that are measured at fair value and the valuation inputs used to value them:

<u>Description</u>	<u>Total</u>	<u>Quoted Prices in</u> <u>Active Markets</u> <u>(Level 1)</u>	<u>Significant Other</u> <u>Observable Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs (Level 3)</u>
June 30, 2020				
Contributions receivable	\$236,280	\$ -	\$236,280	\$ -
Beneficial interest in assets held by community foundation	<u>120,328</u>	<u>-</u>	<u>-</u>	<u>120,328</u>
	<u>\$356,608</u>	<u>\$ -</u>	<u>\$236,280</u>	<u>\$120,328</u>

LA COMUNIDAD HISPANA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

<u>Description</u>	<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
June 30, 2019				
Contributions receivable	\$277,270	\$ -	\$277,270	\$ -
Beneficial interest in assets held by community foundation	<u>119,969</u>	<u>-</u>	<u>-</u>	<u>119,969</u>
	<u>\$397,239</u>	<u>\$ -</u>	<u>\$277,270</u>	<u>\$119,969</u>

The following table presents the change in level 3 assets for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Beginning of year	\$119,969	\$116,418
Change in value	<u>359</u>	<u>3,551</u>
End of year	<u>\$120,328</u>	<u>\$119,969</u>

(13) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects LCH's financial assets as of June 30, 2020 and the amounts available within one year.

	<u>2020</u>	<u>2019</u>
Cash	\$3,724,204	\$3,086,403
Accounts receivable	864,779	418,637
Contributions receivable	<u>236,280</u>	<u>277,270</u>
Total financial assets	4,825,263	3,782,310
Less amounts with donor restrictions	<u>(678,634)</u>	<u>(533,946)</u>
Financial assets available within one year	<u>\$4,146,629</u>	<u>\$3,248,364</u>

As part of LCH's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. LCH invests cash in excess of its requirements in a money market fund. In order to manage any liquidity deficiencies or unanticipated liquidity needs, LCH has a \$350,000 line of credit.

(14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 30, 2020, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2020 that required recognition or disclosure in the financial statements.