

HEALTHLINC, INC.



**Financial Statements
For The Years Ended
December 31, 2017 and 2016
(With Single Audit Section)**

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Certified Public Accountants

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HEALTHLINC, INC.**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
HealthLinc, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of HealthLinc, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, 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 and the standards applicable to financial audits contained *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 HealthLinc, Inc. as of December 31, 2017 and 2016, 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.

Other Matters

The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of state and local awards, as required by the Indiana State Board of Accounts, 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 information 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 March 1, 2018 on our consideration of HealthLinc, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.

Indianapolis, Indiana

March 1, 2018

HEALTHLINC, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
CURRENT ASSETS:		
Cash	\$ 4,784,277	\$ 5,387,921
Accounts receivable, net of allowance for doubtful accounts	1,659,237	1,459,919
Prepaid expenses	219,541	229,603
Other receivables	727	669
Total current assets	6,663,782	7,078,112
FIXED ASSETS:		
Building	8,315,877	5,529,526
Computer equipment and software	935,409	1,008,354
Medical and dental equipment	1,549,496	1,434,338
Furniture and equipment	980,799	921,862
Leasehold improvements	1,099,612	1,099,612
	12,881,193	9,993,692
Accumulated depreciation	(2,614,329)	(2,091,299)
Total fixed assets, net	10,266,864	7,902,393
INVESTMENTS:		
Investments held by Community Foundation	3,530,807	3,172,931
Total investments	3,530,807	3,172,931
OTHER ASSETS:		
Beneficial Interest in Community Foundation	19,470	16,756
Total other assets	19,470	16,756
Total assets	\$ 20,480,923	\$ 18,170,192
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 918,371	\$ 721,956
Accrued payroll and taxes	1,252,768	1,080,959
Other accrued expenses	29,064	12,988
Current portion of notes payable	36,576	-
Deferred revenue	137,123	136,388
Total current liabilities	2,373,902	1,952,291
LONG TERM LIABILITIES:		
Notes payable, less current portion	930,936	-
Total Liabilities	3,304,838	1,952,291
NET ASSETS:		
Unrestricted	17,156,615	16,195,814
Temporarily restricted	-	5,331
Permanently restricted	19,470	16,756
Total net assets	17,176,085	16,217,901
Total liabilities and net assets	\$ 20,480,923	\$ 18,170,192

HEALTHLINC, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND OTHER SUPPORT				
Contributions	\$ 35,645	\$ -	\$ 250	\$ 35,895
Grants	5,914,874	-	-	5,914,874
Patient income	3,122,233	-	-	3,122,233
Medicaid/Medicare reimbursement	7,508,231	-	-	7,508,231
Other income	8,917,041	-	2,464	8,919,505
Loss on disposal of asset	(1,423)	-	-	(1,423)
Inkind revenue	-	-	-	-
Total revenue and other support before net assets released from restriction	<u>25,496,601</u>	<u>-</u>	<u>2,714</u>	<u>25,499,315</u>
Net assets released from restriction	<u>5,331</u>	<u>(5,331)</u>	<u>-</u>	<u>-</u>
Total revenue and other support with net assets released from restriction	<u>25,501,932</u>	<u>(5,331)</u>	<u>2,714</u>	<u>25,499,315</u>
OPERATING EXPENSES				
Health and dental care	20,448,261	-	-	20,448,261
Management and general	4,092,870	-	-	4,092,870
Total operating expenses	<u>24,541,131</u>	<u>-</u>	<u>-</u>	<u>24,541,131</u>
NET INCREASE IN NET ASSETS	960,801	(5,331)	2,714	958,184
NET ASSETS - BEGINNING OF YEAR	<u>16,195,814</u>	<u>5,331</u>	<u>16,756</u>	<u>16,217,901</u>
NET ASSETS - END OF YEAR	<u>\$ 17,156,615</u>	<u>\$ -</u>	<u>\$ 19,470</u>	<u>\$ 17,176,085</u>

2016

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 32,812	\$ -	\$ -	\$ 32,812
5,487,619	-	-	5,487,619
2,540,734	-	-	2,540,734
8,352,795	-	-	8,352,795
7,417,283	-	1,511	7,418,794
0	-	-	-
514,212	-	-	514,212
<u>24,345,455</u>	<u>-</u>	<u>1,511</u>	<u>24,346,966</u>
<u>4,606</u>	<u>(4,606)</u>	<u>-</u>	<u>-</u>
<u>24,350,061</u>	<u>(4,606)</u>	<u>1,511</u>	<u>24,346,966</u>
19,383,818	-	-	19,383,818
3,959,302	-	-	3,959,302
<u>23,343,120</u>	<u>-</u>	<u>-</u>	<u>23,343,120</u>
1,006,941	(4,606)	1,511	1,003,846
<u>15,188,873</u>	<u>9,937</u>	<u>15,245</u>	<u>15,214,055</u>
<u>\$ 16,195,814</u>	<u>\$ 5,331</u>	<u>\$ 16,756</u>	<u>\$ 16,217,901</u>

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HEALTHLINC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	HealthLinc Health and Dental Care Services	Management and General	2017 Totals
OPERATING EXPENSES			
Personnel costs	\$ 14,630,211	\$ 2,854,682	\$ 17,484,893
Occupancy costs	780,894	102,347	883,241
Medical, dental, & optometry supplies	1,222,063	13,769	1,235,832
Repairs and Maintenance	34,089	9,741	43,830
Communications	161,605	55,731	217,336
Dues and subscriptions	122,517	12,703	135,220
Software expense	773,061	125,847	898,908
Travel and Training	233,030	130,988	364,018
Insurance	114,075	26,247	140,322
Professional fees	1,442,084	225,085	1,667,169
Interest expense	-	31,176	31,176
Board development	-	3,137	3,137
Other administrative expenses	66,882	109,436	176,318
Other expenses	39,527	327,828	367,355
Bad debt expense	277,747	-	277,747
Depreciation	550,476	64,153	614,629
Total operating expenses	<u>\$ 20,448,261</u>	<u>\$ 4,092,870</u>	<u>\$ 24,541,131</u>

See accompanying notes to financial statements.

HEALTHLINC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	HealthLinc Health and Dental Care Services	Management and General	2016 Totals
OPERATING EXPENSES			
Personnel costs	\$ 12,822,767	\$ 2,644,332	\$ 15,467,099
Occupancy costs	890,089	144,103	1,034,192
Medical, dental, & optometry supplies	1,319,748	17,595	1,337,343
Repairs and Maintenance	36,516	364	36,880
Communications	177,867	56,936	234,803
Dues and subscriptions	112,024	14,671	126,695
Software expense	680,482	110,776	791,258
Travel and Training	201,312	153,868	355,180
Insurance	104,046	28,976	133,022
Professional fees	1,685,700	220,530	1,906,230
Board development	-	7,600	7,600
Other administrative expenses	19,547	154,645	174,192
Other expenses	29,832	353,309	383,141
Bad debt expense	302,282	-	302,282
Depreciation	487,394	51,597	538,991
Total in-kind	514,212	-	514,212
Total operating expenses	<u>\$ 19,383,818</u>	<u>\$ 3,959,302</u>	<u>\$ 23,343,120</u>

See accompanying notes to financial statements.

HEALTHLINC, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 958,184	\$ 1,003,846
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	614,629	538,991
(Gain) loss on disposal of asset	1,423	-
Unrealized (gain) loss on investment	(357,876)	(234,402)
Increase (decrease) in cash from changes in:		
Medicaid PPS rate adjustment receivable	-	-
Accounts receivable	(199,318)	1,792,973
Prepaid expenses	10,062	(102,085)
Other receivables	(58)	15
Other assets	(2,714)	(1,511)
Accounts payable	196,415	124,180
Accrued payroll and taxes	171,809	63,247
Other accrued expenses	16,076	2,015
Deferred revenue	735	(6,004)
Net cash provided by (used in) operating activities	1,409,367	3,181,265
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of fixed assets	-	11,486
Purchase of fixed assets	(1,980,523)	(151,253)
Net cash provided by (used in) investing activities	(1,980,523)	(139,767)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on loans payable	(32,488)	-
Net cash provided by (used in) financing activities	(32,488)	-
NET INCREASE (DECREASE) IN CASH	(603,644)	3,041,498
CASH, BEGINNING OF YEAR	5,387,921	2,346,423
CASH, END OF YEAR	\$ 4,784,277	\$ 5,387,921
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Capital expenditures funded by long-term debt	\$ 1,000,000	\$ -
Cash paid during the year for interest expense	\$ 31,176	\$ -

See accompanying notes to financial statements.

HEALTHLINC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

NATURE OF OPERATIONS

HealthLinc, Inc. (the “Organization”), formerly Hilltop Community Health Center, Inc., is an Indiana community based non-profit corporation located in Valparaiso, Indiana. The Organization was an outgrowth of the Hilltop Neighborhood House, incorporated in 1995, to serve a growing population of poor and unemployed residents in a Valparaiso neighborhood with the most concentrated poverty level in Porter County, Indiana. Hilltop Community Health Center originally started as a free clinic in 1996, serving residents of Porter County living at or below 185% of the Federal Poverty Level (FPL) and did not have health insurance. In April 1999, the Hilltop Dental Clinic opened to serve the same client base as the Hilltop Health Center. In 2000, with funding by the Indiana State Department of Health, the Organization began the transition to becoming a full-service community health center, including provisions for sliding fee, Medicaid, Medicare, and private-pay insurance payers. In August 2001, the Hilltop Community Health Center was created, with its own 501(c) 3 and Board, serving a broader constituency through expanded health services. In September of 2003, the Organization received designation as a Federally Qualified Health Center Look-Alike. In January 2006, the Center was designated as a Section 330, Federally Qualified Health Center. In January 2008, Hilltop Community Health Center changed its name to HealthLinc, Inc. HealthLinc opened 3 additional sites in 2008. These locations were at Porter Starke Services, Valparaiso, and in Michigan City and in Knox. HealthLinc opened another site located in Mishawaka in 2011, East Chicago in 2013, and South Bend in 2016.

The Organization provides a spectrum of comprehensive health care services throughout the life cycle and makes those services available regardless of a patient’s ability to pay. Its services are culturally and linguistically appropriate for the target population. Included in the Organization’s approach to primary care are on-site preventative care (including immunization and screenings), prenatal care, chronic disease management, integrated behavioral health care, treatment of acute conditions and diagnosis laboratory tests. The Organization also provides supportive services such as language translation, transportation assistance and an early literacy program. In addition, the Center provides primary dental services including prophylaxis, x-rays, fillings, extractions, and denture fittings. In 2008, the Organization developed its on-site behavioral health services to include the use of behavioral health consultants to provide immediate access to assessments, interventions and referrals. Diagnostic laboratory, radiology services, emergency services, and inpatient care are through arrangements with 3 area hospitals that are located in each of the three counties in which HealthLinc has clinics. Specialty care is provided by a network of over 130 specialists that have entered into agreements with the Organization to accept their referrals and charge uninsured patients on a sliding fee scale. In 2013 the Organization added optometry services. In 2017 and 2016, HealthLinc has provided services to over 26,800 and 25,800 uninsured and underinsured patients, respectively.

HEALTHLINC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

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.

FINANCIAL STATEMENT PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. Per applicable standards, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. A description of the unrestricted, temporarily and permanently restricted net asset classes follows:

Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for the support of the Organization.

Temporarily restricted net assets 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 or can be fulfilled and removed by actions of HealthLinc, Inc., pursuant to those stipulations.

Temporarily restricted net assets also include, pursuant to Indiana law, cumulative appreciation and reinvested gains on permanently restricted net assets, which has not been appropriated by the Board of Directors.

Permanently restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

The classification of temporarily restricted net assets includes grant awards as the grant funds are restricted to specific programs/expenses as defined in the awards. Also included in temporarily restricted net assets is program income that is generated as part of the grant activity. When expenses are incurred against grant funds and related program income, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenue, expenses, and changes in net assets as net assets released from restriction.

The Organization had temporarily restricted net assets of \$-0- and \$5,331 for the years ended December 31, 2017 and 2016, respectively. The Organization's permanently restricted net assets are described in Note 5.

HEALTHLINC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

REVENUE RECOGNITION

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. 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 the services are provided and/or expenses incurred. Amounts received or receivable in excess of expenses incurred are reflected as unearned revenue.

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).

For the year ended December 31, 2009, the Organization adopted the accounting policy to 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, 2017 and 2016. The Organization's federal Exempt Organization Income Tax Returns (Form 990) for 2014, 2015 and 2016 are subject to examination by the IRS, generally for three years after they are filed.

USE OF ESTIMATES

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

Management uses estimates and assumptions in preparing financial statements. 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.

HEALTHLINC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

ACCOUNTS RECEIVABLE

Accounts receivable is presented in the statement of financial position net of estimated uncollectable accounts. The Organization began an Allowance for Doubtful Accounts Model in July 2006 in which an estimate for uncollectible receivables was made for each category of payee based upon the number of days the receivable has been open. Bad debt expense amounted to \$277,748 and \$302,282 for the years ended December 31, 2017 and 2016, respectively.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost and depreciated over estimated useful lives of five to ten years using the straight-line method. The fair value of donated fixed assets is similarly capitalized. The following is a summary of the lives for each class of asset:

Computer Equipment and Software	5 years
Medical and Dental Equipment	10 years
Office Equipment	7 years
Office Furniture	10 years
Leasehold Improvements	39 years
Building	39 years

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 \$614,629 and \$538,991 for the years ended December 31, 2017 and 2016, respectively.

Long-lived assets and certain identifiable intangibles held and used by the Organization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

GOVERNMENT GRANTS

Support funded by grants is recognized as the Organization performs the contracted services under grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. 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.

HEALTHLINC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

CONTRIBUTIONS

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, temporarily restricted net assets are reclassified to unrestricted net assets 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.

IN-KIND CONTRIBUTIONS

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 years ended December 31, 2017 and 2016 these adjustments amounted to \$-0- and \$514,212, respectively.

CONTRIBUTED SERVICES

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.

COST ALLOCATION

The Organization allocates joint costs between program services (medical and dental) and management and general (administrative) using various allocation methods, depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit the agency which cannot be readily identified with a final cost objective.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 1, 2018, which is the date the financial statements were available to be issued.

HEALTHLINC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Organization's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Three levels of inputs that may be used to measure fair value are:

Level 1: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement the entire fair value measurement in the hierarchy.

The fair value of the investment and beneficial interest in the Porter County Community Foundation are based on the Organization's proportionate share of the Foundation's pooled investment portfolio. The Foundation uses the net asset value using the market approach to value individual funds. Fair value is measured using level 2 inputs.

NOTE 2 – LINE OF CREDIT – BANK

The Organization has a secured line of credit with Centier Bank of \$500,000. There was no outstanding balance on the line of credit as of December 31, 2017 and 2016. Interest is at the bank's prime rate rounded to the nearest .125%

HEALTHLINC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at five 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 \$3,802,617 and \$4,415,112 for the years ended December 31, 2017 and 2016, respectively. The amounts held in any one bank account are evaluated relative to HealthLinc’s 30-day cash requirements. Risk is assessed if the bank balance is over the maximum allowable insured amount. HeathLinc performs a periodic review of the bank statistics available such as asset size, balance sheet liquidity and net worth. The purpose of the periodic review is to determine if the banking institutions that HealthLinc does business with meets or exceeds the standards set by FDIC for well capitalization. For example, bank balances over the federally insured amounts are allowed in financial institutions that have total assets in excess of \$5 billion and having received an “A investment grade” rating from Moody’s Investors Service, Inc. or Standard & Poor’s Corporation.

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.

NOTE 4 – OPERATING LEASES

The Organization leases space for its centers and its corporate office under the terms of several non-cancelable operating leases and one month-to-month lease agreement. Expense for these leases for the years ended December 31, 2017 and 2016 was \$461,926 and \$639,427, respectively.

The Organization has several copier and office equipment leases expiring at varying times through December 2020. Expense for office equipment leases for the years ended December 31, 2017 and 2016 was \$94,468 and \$88,903, respectively.

Future minimum lease payments under operating leases as of December 31, 2017 are:

2018	\$ 379,445
2019	105,197
2020	67,396
2021	61,413
2022	40,942
Thereafter	-
	<u><u>\$ 654,393</u></u>

HEALTHLINC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 5 – BENEFICIAL INTEREST IN COMMUNITY FOUNDATION

Multiple funds were established through the Porter County Community Foundation, Inc. (“Foundation”) prior to December 31, 2007. These funds are reported at fair market value with a total balance of \$19,470 and \$16,756 as of December 31, 2017 and 2016. The Foundation fund balances consist of original contributions to the funds plus changes in fair market value. The funds are permanently restricted with the intention of making the funds available to the Organization, if needed.

Per the agreement with the Foundation, up to 5% of the funds twenty-month average balance may be withdrawn annually as needed. In addition, the investment income earned by the fund may be used for operating purposes. For the year ended December 31, 2017, the funds realized \$2,698 in investment income, and incurred \$234 in investment and administrative fees. For the year ended December 31, 2016, the funds realized \$1,721 in investment expense, and incurred \$210 in investment and administrative fees. In addition, for the years ended December 31, 2017 and 2016, the amounts available for distribution were \$727 and \$669, respectively, and are reflected as other receivables in the statements of financial position.

NOTE 6 – INVESTMENTS HELD BY COMMUNITY FOUNDATION

In November 2013, the Organization established a designated pass-through fund with the Porter County Community Foundation, Inc. The purpose of the fund is to provide support to the Organization to continue its nonprofit mission. A total of \$3,000,000 has been transferred to the Community Foundation with all ordinary income, capital appreciation (realized and unrealized), and principal (both historic dollar value and any principal contributions, accumulations, additions, or reinvestments) allocable to the fund, net of fees and expenses to be used by HealthLinc. Per the designated pass-through fund agreement, the Organization did not grant variance power to the Foundation, therefore the fund is considered to be an asset of HealthLinc. During the years ended December 31, 2017 and 2016, the fund realized \$391,996 and \$266,409 in investment appreciation, respectively. During the years ended December 31, 2017 and 2016, the fund incurred investment fees and administrative expenses of \$34,120 and \$32,007, respectively. The total value of the fund at December 31, 2017 and 2016 was \$3,530,807 and \$3,172,931, respectively.

NOTE 7 – FAIR VALUE MEASUREMENTS

The valuation methodologies used to measure fair value have been consistently applied. Assets and liabilities measured at fair value on a recurring basis have been classified in accordance with the fair value measurement hierarchy described in Note 1. As described in Notes 5 and 6, the Organization has invested funds with the Porter County Community Foundation but does not have access to Foundation investment reporting for each individual stock, bond or investment within the investment portfolio. The unit of account determines what is being measured at fair value. The unit of account of an affiliated agency fund is at the aggregate level of the asset, not at the level of underlying investments held within the Foundation’s investment portfolio. Since the Foundation investment portfolio is comprised of many different investments

HEALTHLINC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 7 – FAIR VALUE MEASUREMENTS (continued)

with varying levels of observable inputs, the valuation of the entire portfolio cannot be directly corroborated with observable market data. Therefore, the Organization reports the funds as falling within level 3 of the fair value measurement standards.

The following presents information for investments classified within Level 3 for the years ended December 31, 2017 and 2016:

Investments held by Community Foundation:

Balance, December 31, 2016	\$ 3,172,931
Transfer of funds	-
Investment Income	391,996
Investment Fees	(9,666)
Administrative Fees	(24,456)
Balance, December 31, 2017	<u>\$ 3,530,805</u>
Balance, December 31, 2015	\$ 2,938,529
Transfer of funds	-
Investment loss	266,409
Investment Fees	(9,145)
Administrative Fees	(22,862)
Balance, December 31, 2016	<u>\$ 3,172,931</u>

Beneficial Interest in Community Foundation:

Balance, December 31, 2016	\$ 16,756
Contributions	250
Investment Income	2,698
Investment Fees	(51)
Administrative Fees	(183)
Balance, December 31, 2017	<u>\$ 19,470</u>
Balance, December 31, 2015	\$ 15,245
Contributions	-
Investment loss	1,721
Investment Fees	(48)
Administrative Fees	(162)
Balance, December 31, 2016	<u>\$ 16,756</u>

HEALTHLINC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 8 – RETIREMENT PLAN

HealthLinc, Inc. maintains a “safe harbor” 403(b) profit sharing plan. Employees are able to make elective deferrals and to receive safe harbor contributions beginning on their date of hire. Employees are 100% vested in their elective deferrals and in the earnings on their deferrals. HealthLinc, Inc. may decide from year to year whether to apply the safe harbor provisions. If elected, they will make a fixed matching contribution to the safe harbor plan. Employees always share in safe harbor contributions regardless of the amount of service completed during the plan year.

Under the safe harbor, HealthLinc, Inc. will make a safe harbor matching contribution equal to 100% of elective deferrals that do not exceed 3% of compensation plus 50% of elective deferrals between 3% and 5% of compensation. This safe harbor matching contribution is fully vested and is referred to as a "basic matching contribution." HealthLinc, Inc. contributed \$374,554 and \$324,296 as a safe harbor provision for the years ended December 31, 2017 and 2016, respectively.

NOTE 9 - RELATED PARTIES

The Organization maintains a cash balance with a local bank branch of which a member of management at the bank is a Board Member of HealthLinc, Inc. In addition, the Organization contracted with a local general construction contractor with whom one of its project managers is a member of the Board.

NOTE 10 – LONG-TERM DEBT

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

	<u>2017</u>	<u>2016</u>
The Organization executed a 60 month promissory note with 1st Source Bank on January 5, 2017 for \$1,000,000. The note has monthly principle and interest payments of \$5,787 at 3.41% and matures on January 5, 2022 at which time the remaining outstanding balance is due.	\$ 967,512	\$ -
Total long-term debt	967,512	-
Current portion	(36,576)	-
Total long-term debt, net of current portion	<u>\$ 930,936</u>	<u>\$ -</u>

HEALTHLINC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 10 – LONG-TERM DEBT (continued)

The future maturities of long-term debt are as follows for the years ended December 31:

2018	\$ 379,445
2019	105,197
2020	67,396
2021	61,413
2022	40,942
Thereafter	-
	<u>\$ 654,393</u>

SUPPLEMENTARY INFORMATION

HEALTHLINC, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

FEDERAL GRANTOR AGENCY	Federal	Grant or	Grant	Federal
Passthrough Agency	CFDA	Identifying	Award	Expenditures
Program Title	Number	Number	(in dollars \$)	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Awards:				
Consolidated Health Centers	93.224	17H80CS06662	4,885,199	\$ 4,885,199
Passed through from Indiana Primary Health Care Association				
Health Center Outreach & Enrollment Assistance	93.527	NAVCA150204-01-00	50,600	<u>33,817</u>
Total of health centers cluster				<u>4,919,016</u>
Total Expenditures of Federal Awards				<u><u>\$ 4,919,016</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

HEALTHLINC, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of HealthLinc, 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

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

HEALTHLINC, INC.
SCHEDULE OF EXPENDITURES OF STATE AND LOCAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

GRANTOR AGENCY	Grant or	Grant	State and
Passthrough Agency	Identifying	Award	Local
Program Title	Number	(in dollars \$)	Expenditures
<hr/>	<hr/>	<hr/>	<hr/>
INDIANA STATE DEPARTMENT OF HEALTH			
Primary Care and Rural Health Division			
Community Health Centers	20754	1,789,224	<u>\$ 894,828</u>
Total Expenditures of State and Local Awards			<u><u>\$ 894,828</u></u>

HEALTHLINC, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

Section II – Financial Statement Findings

There were no financial statement findings for the prior year ended December 31, 2016.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs for the prior year ended December 31, 2016.



INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

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
HealthLinc, Inc.

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 financial statements of HealthLinc, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 1, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered HealthLinc, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HealthLinc, 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 a 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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HealthLinc, Inc.'s 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 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*.

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

March 1, 2018



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
HealthLinc, Inc.

Report on Compliance for Each Major Federal Program

We have audited HealthLinc, 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 HealthLinc, Inc.’s major federal programs for the year ended December 31, 2017. HealthLinc, Inc.’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of HealthLinc, Inc.’s major federal programs based on our audit of the types of compliance requirements referred to above. 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; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about HealthLinc, Inc.’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of HealthLinc, Inc.’s compliance.

Opinion on Each Major Federal Program

In our opinion, HealthLinc, 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, 2017.

Report on Internal Control over Compliance

Management of HealthLinc, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered HealthLinc, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of HealthLinc, Inc.'s 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 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
March 1, 2018

HEALTHLINC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	Department of Health and Human Services
	Health Center Cluster
93.224	Consolidated Health Centers
93.527	Health Center Outreach & Enrollment Assistance

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

Auditee qualified as low-risk auditee? Yes No

HEALTHLINC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

Section II – Financial Statement Findings

There were no financial statement findings for the year ended December 31, 2017.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs for the year ended December 31, 2017.