

POSITIVE IMPACT HEALTH CENTERS, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2022



www.warrenaverett.com

The report accompanying this deliverable was issued
by Warren Averett, LLC.

POSITIVE IMPACT HEALTH CENTERS, INC.
TABLE OF CONTENTS
DECEMBER 31, 2022

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	4
FINANCIAL STATEMENTS	
Statements of Financial Position	14
Statement of Activities	15
Statement of Functional Expenses	16
Statements of Cash Flows	17
Notes to the Financial Statements	18
SINGLE AUDIT SECTION	
Independent Auditors' Report on Schedule of Expenditures of Federal Awards	29
Schedule of Expenditures of Federal Awards	30
Notes to the Schedule of Expenditures of Federal Awards	34
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 <i>Government Auditing Standards</i>	35
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	37
Schedule of Findings and Questioned Costs	40
SUPPLEMENTARY INFORMATION	
Independent Auditors' Report on Supplementary Information	42
Schedule of State Contractual Assistance	43
Program Income Distribution	44

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Positive Impact Health Centers, Inc.

Opinion

We have audited the accompanying financial statements of Positive Impact Health Centers, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related 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 referred to above present fairly, in all material respects, the financial position of Positive Impact Health Centers, Inc. as of December 31, 2022, and the changes in 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. 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 Positive Impact Health Centers, 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Positive Impact Health Centers, Inc.'s ability to continue as a going concern within one year after the date that the 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 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 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, including omissions, 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Positive Impact Health Centers, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Positive Impact Health Centers, 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.

Report on Summarized Comparative Information

We have previously audited Positive Impact Health Centers, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 17, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated May 19, 2023 on our consideration of Positive Impact Health Centers, 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 Positive Impact Health Centers, Inc.'s internal control over financial reporting or on compliance. That reports is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Positive Impact Health Centers, Inc.'s internal control over financial reporting and compliance.

Warren Averett, LLC

Atlanta, Georgia
May 19, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the year ended 2022

Abstract

The following information should be read in conjunction with Positive Impact Health Centers' financial statements and related footnotes.



Introduction to Management's Discussion and Analysis

The purpose of Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is to provide a narrative explanation of the financial position and operations of Positive Impact Health Centers, Inc. (PIHC).

Unless otherwise indicated, all financial and statistical information included herein relates to continuing operations. MD&A includes the following sections:

- Organization and Mission
- 340b Cost Saving & Pharmacy Revenue
- Patient Expenses

Organization and Mission

Our mission is to provide client-centered care for the HIV community to have a life worth loving.

For over 30 years, Positive Impact Health Centers has provided client-centered care to the HIV community and worked tirelessly to prevent the transmission of HIV in Atlanta.

Our agency provides HIV comprehensive specialty care through clinical care, gender affirming care, mental health counseling, addiction treatment, support programs in medical case management, patient navigators, transportation and housing, and through prevention, testing, Pre-Exposure Prophylaxis (PrEP) and Post-Exposure Prophylaxis (PEP).

Our Services

Medical Services



Testing & Prevention Services



Addiction Services



Dental Services



Counseling Services



Supportive Services



Housing



Nutrition



Serving Metro Atlanta – 4 Locations

7,961

Total # Of Patients Served

1,874

PrEP Retention

90%

Viral Suppression Statistics for the State of Georgia and National is 57% and 66% respectively

Organization Highlights

PIHC continues to make strategic and purposeful decisions to improve the health of individuals and communities served, engage with consumers in new ways and support the shift to expanded medical presence. To best position itself for the future, the organization is making changes to its portfolio as further discussed below.

Pharmacy

Patient Prescription Copay Assistance Program! In 2022, this program covered the full cost or copays of 25,792 prescriptions to patients in need – 30% of all prescriptions filled.

At the end of 2022 PIHC Pharmacies were filling on average 6,922 prescriptions per month between our two retail pharmacy locations. In total our pharmacies filled close to 90,000 prescriptions in 2022. Both were increases compared to 2021 where our average monthly prescriptions were 5,000 and year-end total was 60,000.

Operations

In 2022, PIHC grew our clinical caseload by more than 2,200 patients. We also introduced the use of injectable HIV treatment and prevention medication for eligible patients, and we continued our charge to serve as a teaching institution by training future leaders through our internship programs.

Year of Impact

- **6,490** clients received clinical care with **22,834** clinical visits conducted
- **2,012** clients enrolled in telehealth
- **1,334** patients received case management
- **679** patients received mental health counseling and **493** clients received psychiatry
- **1,075** patients enrolled into the drug assistance program (ADAP)
- **4,157** patients received insurance navigation support
- **5,964** clients received meals and food vouchers
- **7,509** clients screened for sexually transmitted infections
- **5,042** HIV tests conducted
- **142,607** condoms distributed

Financial Information

Our financials report on a calendar year of January 1st-December 31st. Those financials reflect a 12-month operating year from January 1, 2022-December 31, 2022.

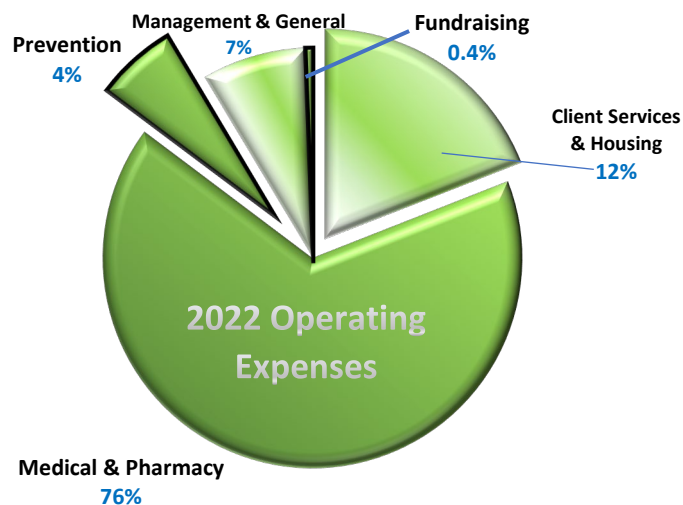
Statement of Activities

	<i>FY 2022</i>	<i>FY 2021</i>
Operating Revenue and Support		
Contributions	\$390.3K	\$274.5K
Fundraising	\$280.9K	\$146.2K
Federal Grants	\$10.5M	\$10.5M
340 B Cost Savings, Retail Pharmacy & Clinic	\$65.1M	\$49.3M
Other Program Income <i>incl. in-kind</i>	\$289.3K	\$509.8K
Total Operating Revenue and Support	\$76.5M	\$60.7M

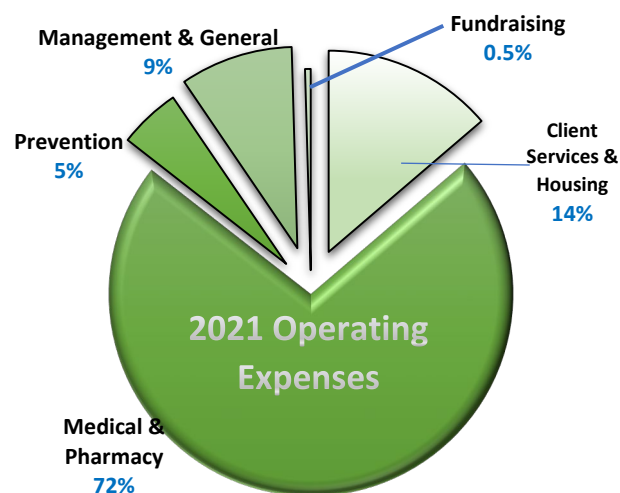
Operating Expenses		
Client Services & Housing	\$9.1M	\$7.4M
Medical & Pharmacy	\$58.1M	\$38.1M
Prevention	\$3.2M	\$2.7M
Management & General	\$5.7M	\$4.9M
Fundraising	\$367.3K	\$242.4K
Total Operating Expenses	\$76.5M	\$53.3M

Nonoperating (Income)/Expenses		
Investment (Income) and Expenses	\$180.5K	(\$126.9K)
(Gain)/Loss on Disposal/Sale of Assets	(\$0.0K)	(\$3.0K)
Total Nonoperating (Income)/Expenses	\$180.0K	(\$129.9K)

Change in Net Assets		
Beginning of Year	\$23.1M	\$15.7M
End of Year	\$21.5M	\$23.1M
Total Change	\$62.8K	\$7.4M



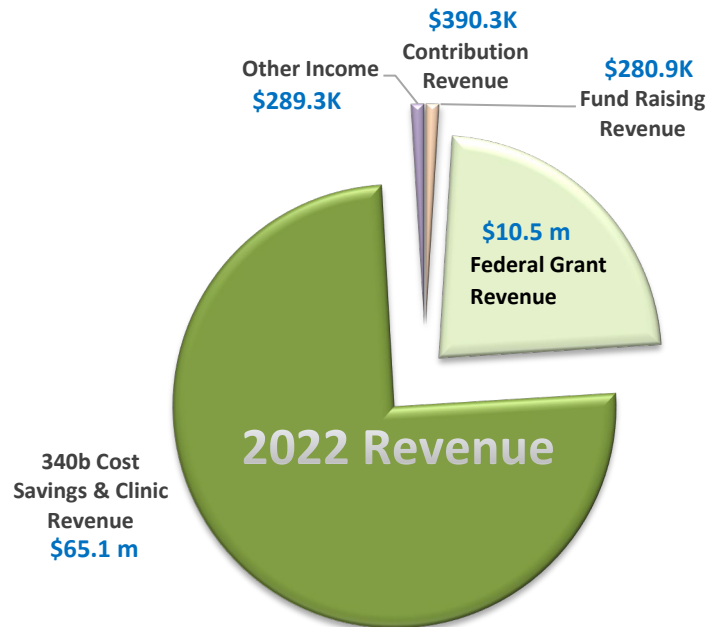
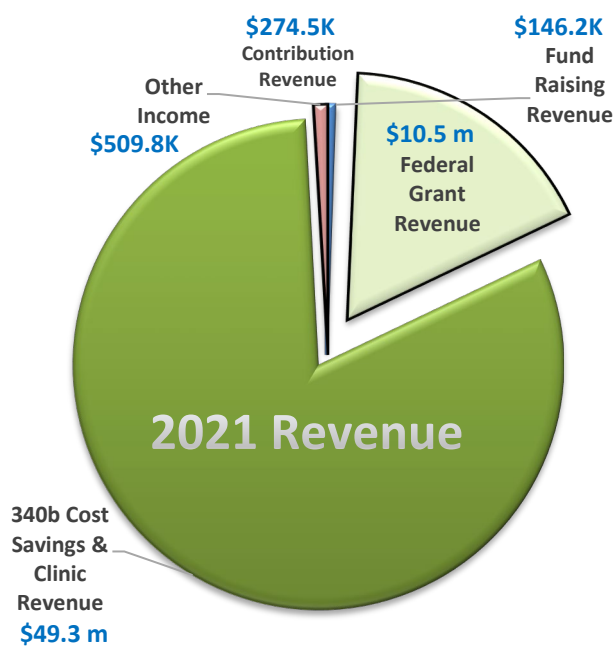
In both years, 90% or more of every dollar went directly to program (client-related) services



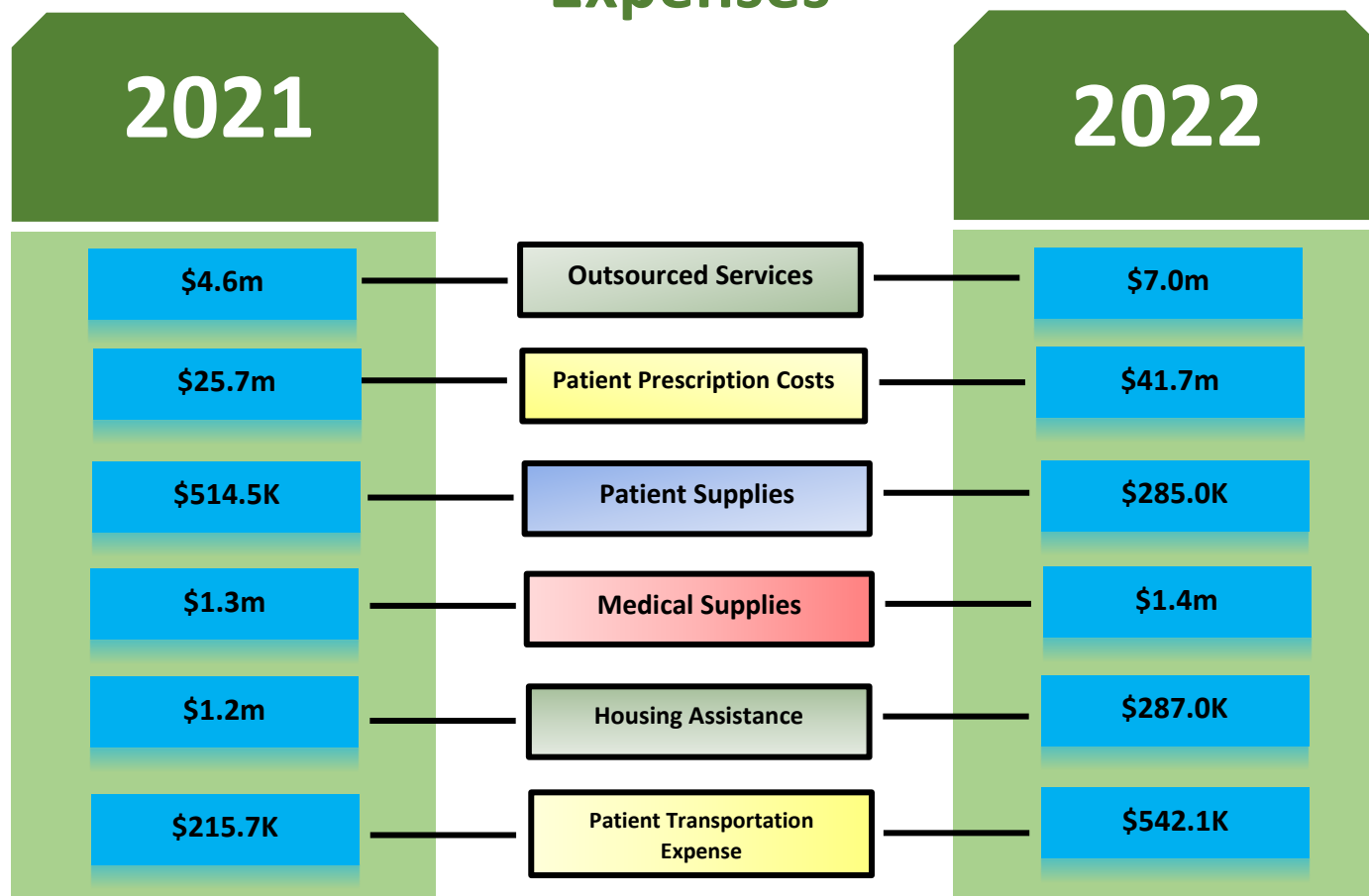
Revenue

The following chart reflects selected financial information on a consolidated basis through the twelve months ending December 31, 2021.

The following chart reflects selected financial information on a consolidated basis through the twelve months ending December 31, 2022.



Expenses



Outsourced Services – Contracted out HR (first half of 2022) and a part of the Payroll functions.

Patient Prescription Costs - Increase due to growth in 340b Cost Savings.

Patient Supplies – Decrease in 2022 due to a higher amount of medical supplies purchased in 2021.

Medical Supplies - Increase due to Program Growth.

Housing Assistance - Decrease due to PIHC ending the HOPWA contract with the City of Atlanta in December 2021 which resulted in a decrease in housing assistance.

Patient Transportation Expense - Increase due to the resumption of transportation services that were scale back in 2020-2021 due to COVID.

Pharmacy Inventory Key Performance Indicators (KPIs)

The inventory turnover ratio is a measure of how many times the inventory is sold and replaced over a given period.

2021

**35
Days**

Inventory Turnover
Ratio

2022

**32
Days**

Average Days in inventory is the average time a company keeps its inventory before it is sold.

2021

**11
Days**

Average Days to sell
inventory

2022

**12
Days**

Pharmacy inventory management is a vital part of our operations. Our inventory turnover ratio is aligned with the national average of pharmacies in the United States. These KPIs, help provide us with information to confirm that we have a healthy inventory.

The above turnover rate indicates that our products are selling well. The increase of inventory turnover and revenue between 2021 and 2022 is directly correlated to the success of the above ratios.

Federal Grants

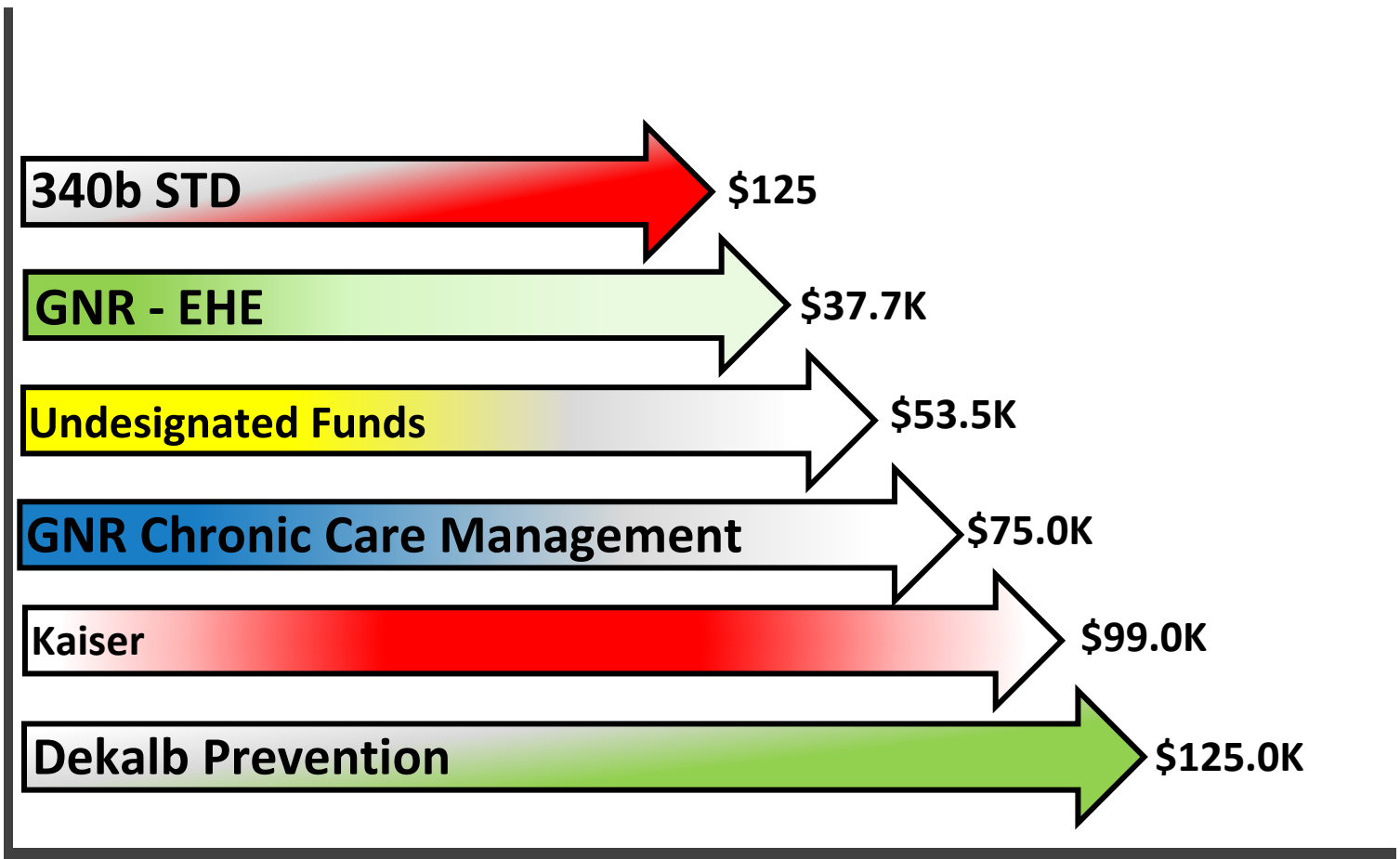


Total \$10.5 m

AIDS United	\$58.2K
Centers for Disease Control	\$735.9K
Emergency Food & Shelter - Gwinnett	\$18.4K
Georgia Department of Human Services	\$218.3K
SAMHSA CCI	\$40.0K
SAMHSA IRISE	\$45.2K
SAMHSA-IMATTER	\$394.4K
SAMHSA FUSE	\$360.9K

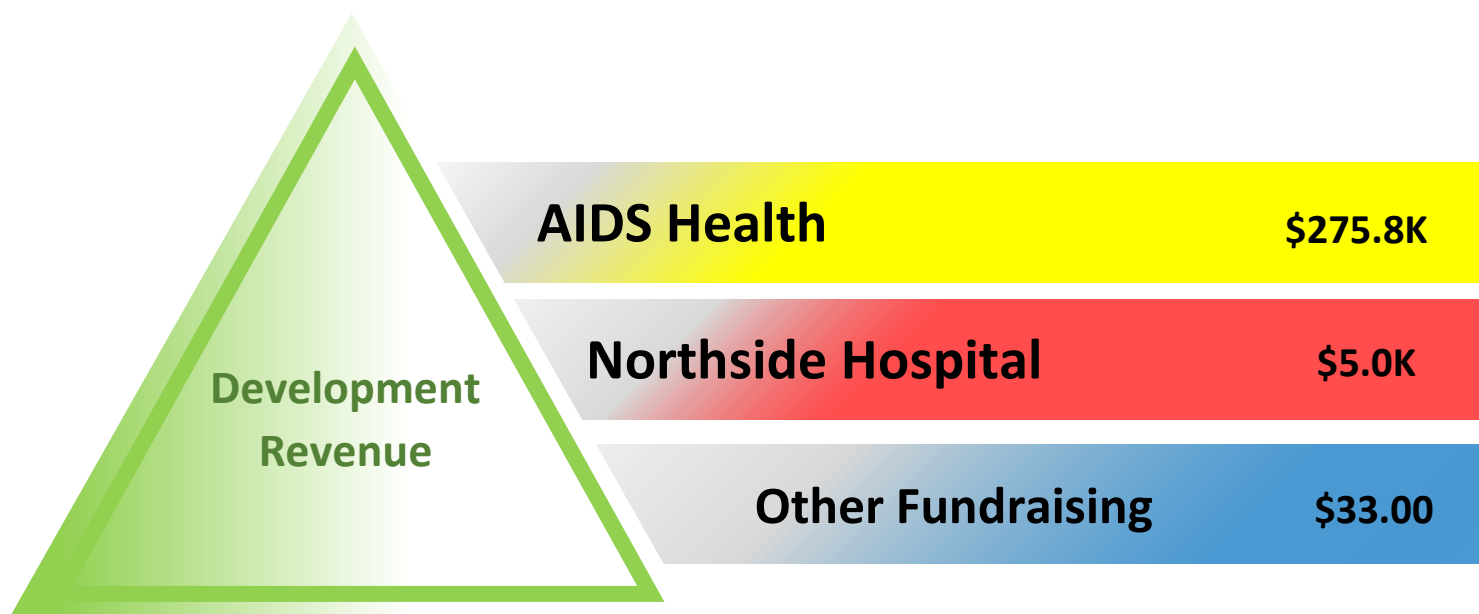
Ryan White A	\$4.9M
Ryan White A Minority AIDS Initiative	\$123.2K
Ryan White A/B Ending the HIV Epidemic	\$645.0K
Ryan White B	\$1.5M
Ryan White C	\$928.5K
Research Triangle Institute International	\$12.6K
HRSA	\$502.6K

Contribution Revenue → **Total \$390.3 K**



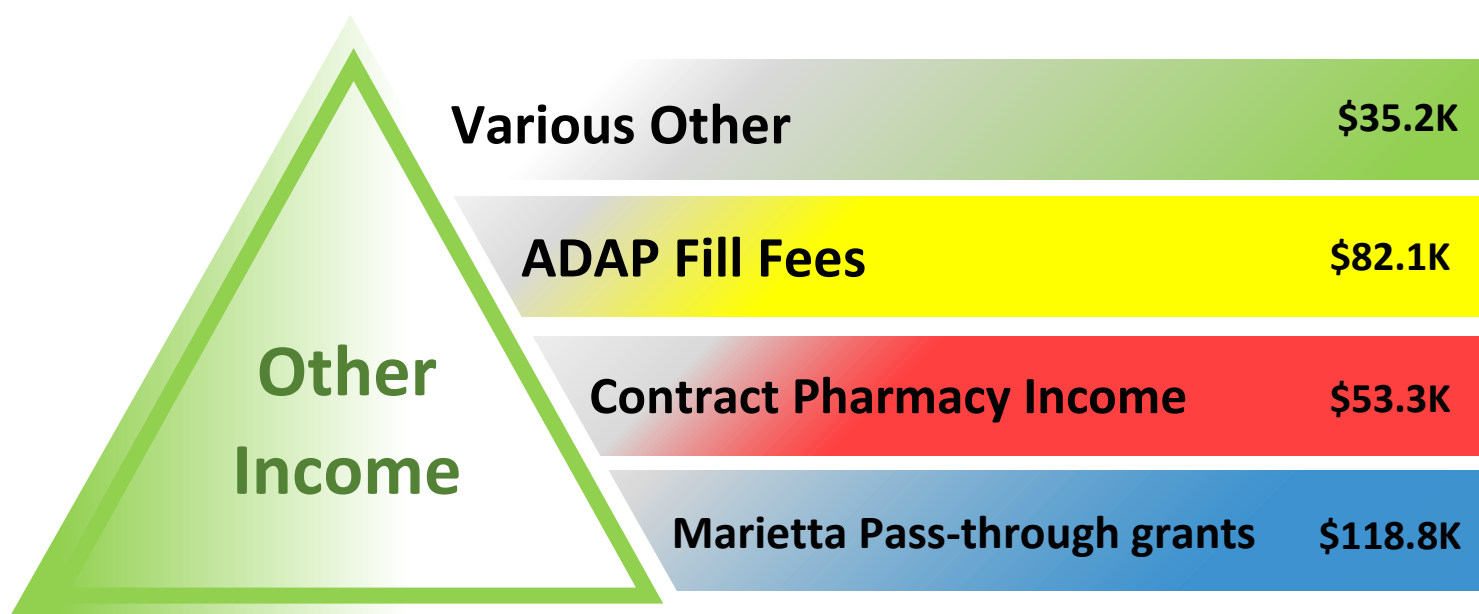
Development Revenue

Total \$280.9 K



Other Income

Total \$289.3 K



POSITIVE IMPACT HEALTH CENTERS, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
was prepared by:

By

Positive Impact Health Centers' Finance Department

**POSITIVE IMPACT HEALTH CENTERS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021**

ASSETS		
	2022	2021
Cash	\$ 15,875,621	\$ 15,548,194
Investments	842,872	1,024,821
Program receivables, net	4,418,446	3,528,845
Grants and contribution receivables	2,044,599	2,551,222
Note receivable, net	-	10,000
Pharmacy inventory	1,322,384	738,458
Prepaid expenses	344,963	265,894
Property and equipment, net of accumulated depreciation	3,504,334	3,791,076
Operating lease right-of-use assets, net	6,453,654	-
Deposits	62,973	62,973
TOTAL ASSETS	\$ 34,869,846	\$ 27,521,483
LIABILITIES AND NET ASSETS		
	2022	2021
LIABILITIES		
Accounts payable and accrued liabilities	\$ 3,463,280	\$ 2,323,567
Deferred rent	-	2,062,523
Operating lease liabilities	9,863,921	-
TOTAL LIABILITIES	13,327,201	4,386,090
NET ASSETS		
Without donor restrictions	21,443,645	23,063,902
With donor restrictions		
Restricted by purpose	99,000	71,491
TOTAL NET ASSETS	21,542,645	23,135,393
TOTAL LIABILITIES AND NET ASSETS	\$ 34,869,846	\$ 27,521,483

See notes to the financial statements.

POSITIVE IMPACT HEALTH CENTERS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(with comparative totals for 2021)

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
PUBLIC SUPPORT AND REVENUE				
Federal grants	\$ 10,474,975	\$ -	\$ 10,474,975	\$ 10,462,556
Contributions	128,610	261,680	390,290	274,459
Special events, net of direct expenses of \$0 each year	280,873	-	280,873	146,238
Section 340B program income	59,295,766	-	59,295,766	44,383,371
Program income	945,861	-	945,861	974,045
Pharmacy retail income	5,268,369	-	5,268,369	4,373,773
Other income	8,685	-	8,685	6,861
In-kind contributions	28,500	-	28,500	30,100
Net investment (loss) income	(180,537)	-	(180,537)	126,910
Total public support and revenue	76,251,102	261,680	76,512,782	60,778,313
NET ASSETS RELEASED FROM RESTRICTIONS				
	234,171	(234,171)	-	-
Net public support and revenue	76,485,273	27,509	76,512,782	60,778,313
EXPENSES				
Program services				
Client services and housing	9,101,658	-	9,101,658	7,404,415
Medical services	58,050,899	-	58,050,899	38,137,970
HIV prevention education	3,241,301	-	3,241,301	2,662,089
Supporting services				
Management and general	5,688,780	-	5,688,780	4,901,964
Fundraising	367,295	-	367,295	242,363
Total expenses	76,449,933	-	76,449,933	53,348,801
CHANGES IN NET ASSETS	35,340	27,509	62,849	7,429,512
NET ASSETS AT:				
BEGINNING OF YEAR	23,063,902	71,491	23,135,393	15,705,881
Change as a result of adoption of ASC 842	(1,655,597)	-	(1,655,597)	-
END OF YEAR, AS ADJUSTED	\$ 21,443,645	\$ 99,000	\$ 21,542,645	\$ 23,135,393

See notes to the financial statements.

POSITIVE IMPACT HEALTH CENTERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(with comparative totals for 2021)

	2022					2021	
	Program Services			Supporting Services		Total Expenses	Total Expenses
	Client Services and Housing	Medical Services	HIV Prevention Education	Management and General	Fund Raising		
Salaries	\$ 5,489,308	\$ 6,538,191	\$ 1,702,059	\$ 2,310,382	\$ 125,921	\$ 16,165,861	\$ 11,984,744
Payroll taxes	372,607	443,803	115,533	156,826	8,547	1,097,316	1,553,775
Employee benefits	871,671	1,038,227	270,277	366,874	19,996	2,567,045	2,378,348
Total salaries and related expenses	6,733,586	8,020,221	2,087,869	2,834,082	154,464	19,830,222	15,916,867
Contract services	1,005,462	4,947,041	525,115	558,065	12,896	7,048,579	4,598,508
Pharmacy	-	41,678,189	-	-	-	41,678,189	25,730,987
Supplies	53,133	71,006	114,378	38,907	7,623	285,047	514,450
Medical supplies	82,378	1,239,082	117,425	408	-	1,439,293	1,322,207
Housing assistance	264,463	22,509	-	-	-	286,972	1,172,894
Office expense	243,749	778,007	105,305	692,489	77,147	1,896,697	1,595,180
Rent and utilities	240,463	655,910	126,128	159,991	61,002	1,243,494	800,147
Transportation expense	113,815	216,365	25,593	184,151	2,160	542,084	215,756
Other	66,262	90,437	57,228	202,415	24,105	440,447	232,287
Insurance	49,659	108,795	22,905	44,833	697	226,889	199,246
Telephone expense	21,491	51,463	14,586	48,241	488	136,269	169,893
Professional fees	65,763	67,174	37,249	118,228	26,713	315,127	128,320
Nutrition	161,434	104,700	7,520	-	-	273,654	129,325
Total expense before depreciation	9,101,658	58,050,899	3,241,301	4,881,810	367,295	75,642,963	52,726,067
Depreciation	-	-	-	806,970	-	806,970	622,734
TOTAL EXPENSES	\$ 9,101,658	\$ 58,050,899	\$ 3,241,301	\$ 5,688,780	\$ 367,295	\$ 76,449,933	\$ 53,348,801
Percentage of total expenses	12%	77%	4%	7%	0%	100%	

See notes to the financial statements.

POSITIVE IMPACT HEALTH CENTERS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 62,849	\$ 7,429,512
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	806,970	622,734
Noncash operating lease expense	2,469,040	-
Write off of note receivable	16,707	-
Allowance for doubtful note receivable	-	6,861
Accrued interest	(6,707)	(6,861)
Unrealized loss (gain) on investments	245,807	(114,120)
Realized gain on sale of investments	(57,351)	(8,283)
Gain on sale of property and equipment	-	(3,000)
(Increase) decrease in:		
Clinic receivables	(889,601)	(932,727)
Grant receivables	506,623	422,498
Pharmacy inventory	(583,926)	(150,357)
Prepaid expenses	(79,069)	(57,002)
Deposits	-	39,403
Increase (decrease) in:		
Accounts payable and accrued liabilities	1,139,713	374,621
Deferred rent	(2,062,523)	60,728
Advance from government agency	-	(9,496)
Payments on operating lease liabilities	(714,370)	-
Net cash provided by operating activities	<u>854,162</u>	<u>7,674,511</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(520,228)	(2,365,592)
Proceeds from sale of property and equipment	-	3,000
Investments	(6,507)	8,308
Repayments on note receivable	-	10,000
Net cash used in investing activities	<u>(526,735)</u>	<u>(2,344,284)</u>
NET INCREASE IN CASH	327,427	5,330,227
CASH AT BEGINNING OF YEAR	<u>15,548,194</u>	<u>10,217,967</u>
CASH AT END OF YEAR	<u>\$ 15,875,621</u>	<u>\$ 15,548,194</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Additions to right-of-use lease assets obtained from new operating lease liabilities	<u>\$ 6,923,016</u>	<u>\$ -</u>

See notes to the financial statements.

**POSITIVE IMPACT HEALTH CENTERS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

1. ORGANIZATION

Effective March 1, 2015, AID Gwinnett, Inc. and Positive Impact, Inc. completed a merger of their operations. As a result of the merger, the combined organization was renamed Positive Impact Health Centers, Inc. AID Gwinnett, Inc.'s tax ID was the surviving ID. Positive Impact Health Centers, Inc. (PIHC) is a not-for-profit organization incorporated on September 26, 1991, under the laws of the State of Georgia. PIHC is a community-based agency organized to respond with compassion and sensitivity to the HIV/AIDS epidemic through support, advocacy, education and collaboration with other agencies. Client support services include medical care, professional mental health counseling and outpatient substance abuse treatment, long-term housing, emergency housing assistance, emergency shelter, medical case management, education, counseling, transportation and nutrition. Public awareness and education include adult and youth educational programs, newsletters and community advocacy. PIHC provides services to individuals in 20 metro Atlanta counties. It is supported primarily by contributions and grants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of PIHC have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities at year-end. Net assets, revenues, expenses, gains and losses are recorded based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of PIHC and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of PIHC and/or passage of time.

Concentrations of Credit and Market Risk

Financial instruments, principally receivables and accounts payable, are reported at values which PIHC believes are not significantly different from fair values. PIHC believes no significant credit risk exists with respect to any of its financial instruments. PIHC maintains cash balances with financial institutions. Deposit accounts at the institutions are insured up to \$250,000 by the Federal Deposit Insurance Corporation. At December 31, 2022 and 2021, PIHC's uninsured cash balances were \$15,364,175 and \$15,090,122, respectively.

As of December 31, 2022 and 2021, one vendor represented 70% and 72% of accounts payable, respectively.

POSITIVE IMPACT HEALTH CENTERS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

Investments in marketable securities with readily determinable fair values are reported at fair value based on quoted market prices. The investments are initially recorded at cost if they were purchased and at fair value on the date of the gift if received as a donation. Unrealized gains and losses resulting in fluctuations in market prices are included in the statement of activities (See Note 3).

PIHC adheres to the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements*. This standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction as prescribed by accounting principles generally accepted in the United States of America (GAAP). The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs that are derived principally from or corroborated by observable market data.
- Level 3 – Inputs that are unobservable and significant to the overall fair value measurement.

All of PIHC's investments are Level 1 investments.

Program Income

Patient and Clinic Income

Clinic fees are recognized as revenue when services are delivered. Net patient income is recognized in the period services are provided at the estimated net realizable amount from Medicare, Medicaid, commercial insurers, other third-party payors and patients. Established rates are maintained for patient services provided. Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount.

Section 340B Program of the Public Health Service Act

PIHC offers reduced price medications to low-income, uninsured patients through arrangements with contracted pharmacies as well as through the in-house pharmacy. Revenue is earned as prescriptions are filled and provided to patients. Related program expenses incurred of \$36,862,404 and \$21,448,765 are recognized in the accompanying financial statements for the years ended December 31, 2022 and 2021, respectively.

POSITIVE IMPACT HEALTH CENTERS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Other Program Income

PIHC offers testing, counseling, and therapy services. Revenue is recognized when services are delivered.

Program income is composed of the following for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Patient and clinic income	\$ 689,896	\$ 477,791
Other program income	<u>255,965</u>	<u>496,254</u>
	<u>\$ 945,861</u>	<u>\$ 974,045</u>

Pharmacy Retail Income

Revenue is earned as prescriptions are filled and provided to patients.

Accounting for Contributions

PIHC records contributions at the date of the gift. Donated investments are recorded at their fair value on the date donated. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated by the donor for specific purposes or for use in a future period are reported as an increase to net assets with donor restrictions.

Restrictions on contributions expire when a purpose or time restriction is accomplished. Upon satisfaction, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the accompanying statements of activities as net assets released from restrictions.

Restricted contributions received in the same year in which the restrictions are met are recorded as an increase in restricted support at the time of receipt and as net assets released from restrictions upon satisfaction of the donor restriction.

Program Receivables

Program receivables represent amounts due from patients and third-party payors (including health insurers and government payors). PIHC uses the allowance method to account for uncollectible receivables. The allowance is based on prior years' experience and management's analysis of possible bad debts. Receivables are considered past due after 90 days. It is PIHC's policy to charge off uncollectible clinic receivables when management determines the receivable will not be collected. Management did not believe an allowance was necessary at December 31, 2022. As of December 31, 2021, the allowance for doubtful accounts amounted to \$12,590.

POSITIVE IMPACT HEALTH CENTERS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Grant Receivables

Grant receivables relate to reimbursement basis grants and are recorded when related expenditures are made (See Note 9). PIHC uses the allowance method to account for uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific promises made. Management did not believe that an allowance was necessary at December 31, 2022 or 2021.

Pharmacy Inventory

Pharmacy inventory consists of pharmaceutical items that are held at the on-site pharmacies. These items are valued at cost.

Property and Equipment

PIHC capitalizes all expenditures for property, furniture, fixtures and equipment in excess of \$5,000. Property and equipment are recorded at cost or fair value, if donated, and are depreciated using straight-line methods over their estimated useful lives (See Note 5).

Right-of-Use Assets and Lease Liabilities

Effective January 1, 2022, PIHC adopted FASB ASC Topic 842, *Leases* (Topic 842). Under Topic 842, a lessee is required to recognize a lease liability and a right-of-use lease asset on the statements of financial position. Upon adoption of the new guidance, PIHC recognized right-of-use lease assets and lease liabilities of \$9,923,016 and \$10,578,291, respectively, and a reduction of previously recorded deferred rent of \$2,062,523. The cumulative effect adjustment to PIHC's net assets as a result of the adoption of this standard was \$1,655,597.

In connection with the adoption of Topic 842, PIHC elected to apply the following practical expedients:

- not to reassess whether a contract includes an embedded lease at adoption;
- not to reassess the previously determined classification of a lease as operating or capital;
- not to reassess previously recorded initial direct costs;
- election of an accounting policy that permits inclusion of both the lease and non-lease components as a single lease component;
- election of an accounting policy to exclude lease accounting requirements for leases that have terms of less than 12 months; and
- the use of hindsight in determining the lease term and in assessing impairment of right-of-use assets.

POSITIVE IMPACT HEALTH CENTERS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In accordance with Topic 842, at lease commencement, PIHC initially measures the lease liability at the present value of payments expected to be made during the lease term. The right-of-use lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs.

Key estimates and judgments related to leases include how PIHC determines: (1) the discount rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. PIHC uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, PIHC generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease, as well as expected renewal terms. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

PIHC monitors changes in circumstances that would require a remeasurement of its leases and will remeasure right-of-use lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of any lease liability.

Contributed Services

Contributed services are recognized if the services received: (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services of \$28,500 and \$30,100 were recognized for the years ended December 31, 2022 and 2021, respectively, for physician services.

Many individuals volunteer their time and perform a variety of tasks that assist PIHC's clients and fundraising activities. PIHC received approximately 1,600 and 1,300 volunteer hours during the years ended December 31, 2022 and 2021, respectively, that are not valued in the financial statements.

Tax Status

PIHC is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC) and is classified as an organization which is not a private foundation under Section 509(a) of the IRC. PIHC qualifies for the charitable contribution deduction.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, personnel costs have been allocated among the programs and supporting services benefited based on estimates of time and effort, and occupancy costs have been allocated on the basis of the function of the personnel using the space involved.

POSITIVE IMPACT HEALTH CENTERS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Comparative Statements

The amounts shown for the year ended December 31, 2021, in the accompanying financial statements, are included to provide a basis for comparison with 2022 and present summarized totals only. Accordingly, the 2021 totals are not intended to present all information necessary for a fair presentation in conformity with GAAP. Such information should be read in conjunction with the financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Events Occurring after Report Date

Management has evaluated events and transactions that occurred between December 31, 2022 and May 19, 2023, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

3. INVESTMENTS

PIHC's investments are managed by an independent investment company and are valued at quoted market prices in an active market. PIHC's investments at December 31, 2022 and 2021, are comprised of the following:

	2022		2021	
	Fair Value	Cost	Fair Value	Cost
Equities	\$ 588,731	\$ 512,919	\$ 755,592	\$ 471,741
Fixed income	254,141	284,369	269,229	255,218
Total investments measured at fair value	<u>\$ 842,872</u>	<u>\$ 797,288</u>	<u>\$ 1,024,821</u>	<u>\$ 726,959</u>

Net investment (loss) income for the years ended December 31, 2022 and 2021, are composed of:

	2022	2021
Interest and dividend income	\$ 20,041	\$ 17,645
Net realized gain on investments	57,351	10,175
Unrealized (loss) gain on investments	(245,807)	112,227
Brokerage fees	<u>(12,122)</u>	<u>(13,137)</u>
	<u>\$ (180,537)</u>	<u>\$ 126,910</u>

POSITIVE IMPACT HEALTH CENTERS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

4. NOTE RECEIVABLE

On January 31, 2020, PIHC entered into a note receivable agreement with another organization for \$150,000. The note accrues interest at 1.6% per year and matured on June 1, 2020. The principal amount of the note and any accrued but unpaid interest shall be due and payable in three equal monthly installments beginning April 1, 2020.

PIHC reviewed the note receivable balance when amounts became past due, and a determination was made to the collectability of the receivable. During 2022 and 2021, payments of \$0 and \$10,000, respectively, were received. An allowance of approximately \$91,000 was recorded as of December 31, 2021. During 2022, it was determined to write off the uncollectible balance.

5. PROPERTY AND EQUIPMENT

Property and equipment is stated at cost and depreciation is computed using the straight-line method over the estimated useful lives of the assets (primarily five years). Leasehold improvements are amortized over the life of the lease. Property and equipment consists of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Vehicle	\$ 40,313	\$ 40,313
Computer equipment and software	1,689,231	1,440,033
Furniture and fixtures	710,117	654,222
Leasehold improvements	3,056,658	3,019,836
Construction in progress	<u>779,355</u>	<u>605,042</u>
	6,275,674	5,759,446
Less accumulated depreciation	<u>(2,771,340)</u>	<u>(1,968,370)</u>
	<u><u>\$ 3,504,334</u></u>	<u><u>\$ 3,791,076</u></u>

Depreciation expense of \$806,970 and \$622,734 was recorded for the years ended December 31, 2022 and 2021, respectively.

6. LINE OF CREDIT

On January 15, 2021, PIHC entered into a line of credit with a bank with maximum available borrowings of up to \$2,000,000. In January 2022, PIHC renewed the line of credit agreement and increased borrowing capacity to \$3,000,000. The line has an interest rate of the prime rate (7.50% at December 31, 2022) and matures in March 2024. The line did not have a balance at December 31, 2022 or 2021.

**POSITIVE IMPACT HEALTH CENTERS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

7. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions were available for the following purposes at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to expenditures for specific purposes:		
Client services	\$ 99,000	\$ 66,491
Medical services	-	5,000
	<u>\$ 99,000</u>	<u>\$ 71,491</u>

Net assets with donor restrictions released from restrictions during the years ended December 31, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Client service	\$ 104,171	\$ 33,189
Prevention	125,000	133,253
Medical services	5,000	5,958
	<u>\$ 234,171</u>	<u>\$ 172,400</u>

8. RIGHT-OF-USE LEASE ASSETS AND LEASE LIABILITIES

Right-of-use assets and liabilities are classified as follows on the statements of financial position as of December 31, 2022:

Operating Leases

Operating lease right-of-use assets, net	<u>\$ 6,453,654</u>
Operating lease liabilities	<u>\$ 9,863,921</u>

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2022:

Weighted Average Remaining Lease Term	
Operating leases	8.01 years
Weighted Average Discount Rate	
Operating leases	6.25%

**POSITIVE IMPACT HEALTH CENTERS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

8. RIGHT-OF-USE LEASE ASSETS AND LEASE LIABILITIES – CONTINUED

Future maturities of lease liabilities as of December 31, 2022 were as follows:

For the Years Ending December 31,	Amount
2023	\$ 1,387,947
2024	1,436,738
2025	1,568,272
2026	1,614,291
2027	1,661,655
Thereafter	<u>5,019,007</u>
Total lease payments	12,687,910
Less interest	<u>(2,823,989)</u>
Present value of lease liabilities	<u>\$ 9,863,921</u>

The following is a summary of lease expense recorded in the statement of activities for the year ended December 31, 2022:

Operating lease expense included in:	
Client services and housing	\$ 213,378
Medical services	582,031
HIV prevention education	111,922
Management and general	141,970
Fund raising	<u>54,131</u>
	<u>\$ 1,103,432</u>

The following summarizes cash flow information related to leases for the year ended December 31, 2022:

Lease assets obtained in exchange for lease obligations:

Operating leases	<u>\$ 6,923,016</u>
------------------	---------------------

Not included in the amounts above are leases with an initial term of 12 months or less. Expense for these such leases are \$943,985 for the year ended December 31, 2022.

**POSITIVE IMPACT HEALTH CENTERS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

9. GRANTS FROM GOVERNMENT AGENCIES

PIHC is the recipient of federal financial assistance from several government agencies. The balances of these grants and awards as of December 31, 2022, are as follows:

	<u>Cumulative Awards</u>	<u>Cumulative Expenditures Incurred</u>	<u>Available Funds on Grants</u>
Department of Housing and Urban Development – federal grants	\$ 9,734,098	\$ 5,691,389	\$ 4,042,709
Department of Health and Human Services – federal grants	<u>22,978,005</u>	<u>18,253,797</u>	<u>4,724,208</u>
	<u>\$ 32,712,103</u>	23,945,186	<u>\$ 8,766,917</u>
Less expenditures related to prior year		<u>13,470,211</u>	
Federal revenue for the year ended December 31, 2022		<u>\$ 10,474,975</u>	

10. EMPLOYEE BENEFIT PLAN

Effective April 2008 PIHC adopted a 401(k) plan (the Plan) for those employees who meet the eligibility requirements set forth in the Plan. All Plan participants are allowed to contribute any amount up to the legal maximum allowed. PIHC contributes 5% of a participant's compensation deferred to the Plan. Senior staff receive an additional 1% and the CEO receives an additional 2%. Employer contributions amounted to approximately \$796,300 and \$634,700 for years ended December 31, 2022 and 2021, respectively.

11. PAID TIME OFF

Employees earn paid time off (PTO) depending on years of service. Accrued PTO is paid upon an employee's termination. A liability for accumulated PTO of \$483,521 and \$441,243 was accrued in the financial statements at December 31, 2022 and 2021, respectively.

POSITIVE IMPACT HEALTH CENTERS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

12. LIQUIDITY AND FUNDS AVAILABLE

The following table reflects PIHC's financial assets as of December 31, 2022 and 2021, reduced by amounts not available for expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	2022	2021
Financial assets:		
Cash	\$ 15,875,621	\$ 15,548,194
Program receivables, net	4,418,446	3,528,845
Grants and contribution receivables	2,044,599	2,551,222
Investments	842,872	1,024,821
Financial assets, at year-end	23,181,538	22,653,082
Less assets unavailable for general expenditures within one year:		
Net assets with donor restrictions unavailable due to donor-imposed purpose restrictions	(99,000)	(71,491)
Financial assets available to meet cash needs for general expenditures within one year	\$ 23,082,538	\$ 22,581,591

PIHC is substantially supported by federal grants and contributions. Because a donor's restrictions require resources to be used in a particular manner or in a future period, PIHC must maintain sufficient resources to meet those responsibilities to donors. Therefore, certain financial assets may not be available for general expenditures within one year. As part of PIHC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

13. CONTINGENCIES

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations is subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management is not aware of any material incidents of noncompliance.

During the normal course of business, PIHC may become involved in various legal issues. In the opinion of management, any such matters will not have a material effect upon the financial position of PIHC, and significant losses, if any, would be adequately covered by insurance.

SINGLE AUDIT SECTION

**INDEPENDENT AUDITORS' REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Board of Directors
Positive Impact Health Centers, Inc.

We have audited the financial statements of Positive Impact Health Centers, Inc. as of and for the year ended December 31, 2022, and have issued our report thereon dated May 19, 2023 which contained an unmodified opinion on those financial statements and appears on Pages 1 through 3. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (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 basic 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.

Warren Averett, LLC

Atlanta, Georgia
May 19, 2023

**POSITIVE IMPACT HEALTH CENTERS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Award Amount	Expenditures
U.S. Department of Health and Human Services/Ryan White Part A	93.914		\$ 5,037,919	\$ 1,025,944
U.S. Department of Health and Human Services/Ryan White Part A	93.914		5,048,737	3,847,576
U.S. Department of Health and Human Services/ Ryan White Part A/Minority AIDS Initiative	93.914		279,052	123,183
U.S. Department of Health and Human Services passed through Health Resources and Services Administration/AIDS United	93.914	3031018-AU	175,994	<u>58,235</u>
HIV Emergency Relief Project Grants	Subtotal 93.914			<u>5,054,938</u>
U.S. Department of Health and Human Services/Ryan White Part B	93.917		799,696	303,157
U.S. Department of Health and Human Services/Ryan White Part B	93.917		799,696	577,947
U.S. Department of Health and Human Services/Ryan White Part B	93.917		589,753	161,247
U.S. Department of Health and Human Services/Ryan White Part B	93.917		589,753	<u>476,021</u>
HIV Care Formula Grants	Subtotal 93.917			<u>1,518,372</u>
U.S. Department of Health and Human Services passed through Fulton County/Ending the HIV Epidemic: A Plan for America/ Ryan White HIV/AIDS Programs Parts A and B	93.686	UT8HA33933	526,610	320,470
U.S. Department of Health and Human Services passed through Fulton County/Ending the HIV Epidemic: A Plan for America/ Ryan White HIV/AIDS Programs Parts A and B	93.686	UT8HA33933	702,301	<u>324,533</u>
Ending the HIV Epidemic: A Plan for America/ Ryan White HIV/AIDS Program Parts A and B	Subtotal 93.686			<u>645,003</u>

See accompanying notes to the schedule of expenditures of federal awards.

**POSITIVE IMPACT HEALTH CENTERS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022**

Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Award Amount	Expenditures
U.S. Department of Health and Human Services/Ryan White Part C	93.918		\$ 499,740	\$ 212,178
U.S. Department of Health and Human Services/Ryan White Part C	93.918		567,558	352,063
U.S. Department of Health and Human Services/Ryan White Part C	93.918		335,588	261,288
U.S. Department of Health and Human Services/Ryan White Part C	93.918		104,061	<u>102,935</u>
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	Subtotal 93.918			<u>928,464</u>
U.S. Department of Health and Human Services passed through Health Resources and Services Administration/Special Projects of National Significance	93.928	5 H97HA31433-03-00	360,000	4,484
U.S. Department of Health and Human Services passed through Health Resources and Services Administration/Special Projects of National Significance	93.928	1 U90HA39764-01-00	360,000	360,000
U.S. Department of Health and Human Services passed through Health Resources and Services Administration/Special Projects of National Significance	93.928	6 U90HA39764-03-01	360,000	<u>138,125</u>
Special Projects of National Significance	Subtotal 93.928			<u>502,609</u>

See accompanying notes to the schedule of expenditures of federal awards.

**POSITIVE IMPACT HEALTH CENTERS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022**

Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Award Amount	Expenditures
U.S. Department of Health and Human Services/ Substance Abuse and Mental Health Services/ Facilitating United Service Efforts	93.243		\$ 485,000	\$ 360,852
U.S. Department of Health and Human Services/ Substance Abuse and Mental Health Services/ Individualized Medication Assisted Treatment and Therapy to Embrace Recovery	93.243		525,000	394,385
U.S. Department of Health and Human Services/ Substance Abuse and Mental Health Services/ Individualized Recovery with Integrated Supportive Elements	93.243		500,000	45,158
U.S. Department of Health and Human Services/ Substance Abuse and Mental Health Services/ Connected Care Initiative	93.243		485,000	<u>39,988</u>
Substance Abuse and Mental Health Services Projects of Regional and National Significance	Subtotal 93.243			<u>840,383</u>
U.S. Department of Health and Human Services passed through Georgia Department of Human Resources/ HIV Prevention Activities Health Department Based	93.940	40500-044-19192849	218,265	24,515
U.S. Department of Health and Human Services passed through Georgia Department of Human Resources/ HIV Prevention Activities Health Department Based	93.940	40500-044-20192849	218,265	<u>193,750</u>
HIV Prevention Activities Health Department Based	Subtotal 93.940			<u>218,265</u>

See accompanying notes to the schedule of expenditures of federal awards.

**POSITIVE IMPACT HEALTH CENTERS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022**

Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Award Amount	Expenditures
U.S. Department of Health and Human Services passed through Center for Disease Control	93.939	PS151502COMHIGPHIV15	\$ 441,625	\$ 239,699
U.S. Department of Health and Human Services passed through Center for Disease Control	93.939	PS151502COMHIGPHIV15	441,625	266,315
U.S. Department of Health and Human Services passed through Center for Disease Control	93.939	PS151502COMHIGPHIV15	400,000	<u>229,907</u>
HIV Prevention Activities Non-Governmental Organization Based	Subtotal 93.939			<u>735,921</u>
U.S. Department of Health and Human Services passed through RTI International	93.242	2-312-0217619-66128L	30,409	<u>12,610</u>
Mental Health Research Grant	Subtotal 93.242			<u>12,610</u>
U.S. Department of Treasury passed through Gwinnett County/ Emergency Food and Shelter Program	97.024	Phase 39 / ARPA	44,550	<u>18,410</u>
Emergency Food and Shelter Program Fund	Subtotal 97.024			<u>18,410</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>\$ 10,474,975</u></u>

See accompanying notes to the schedule of expenditures of federal awards.

POSITIVE IMPACT HEALTH CENTERS, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Positive Impact Health Centers, Inc. (PIHC) under programs of the federal government for the year ended December 31, 2022. The information in this Schedule 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of PIHC, it is not intended to and does not present the financial position, changes in net assets or cash flows of PIHC.

2. INDIRECT COST RATE

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

3. SUBRECIPIENTS

There were no expenditures to subrecipients during the year ended December 31, 2022.

**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 Directors
Positive Impact Health Centers, 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 Positive Impact Health Centers, Inc. (PIHC) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 19, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PIHC'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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PIHC's internal control. Accordingly, we do not express an opinion on the effectiveness of PIHC's internal control.

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

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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether PIHC'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 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.

Warren Averett, LLC

Atlanta, Georgia
May 19, 2023

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Positive Impact Health Centers, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Positive Impact Health Centers, Inc.'s (PIHC) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on PIHC's major federal programs for the year ended December 31, 2022. PIHC's major federal programs are identified in the Summary of Auditors' Results section of the accompanying schedule of findings and questioned costs.

In our opinion, PIHC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on PIHC's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about PIHC's compliance with the requirements of the major federal programs as a whole.

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Warren Averett, LLC

Atlanta, Georgia
May 19, 2023

**POSITIVE IMPACT HEALTH CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Section 1 Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?	Yes	No <input checked="" type="checkbox"/>
Significant deficiencies identified?	Yes <input type="checkbox"/>	None reported <input checked="" type="checkbox"/>
Noncompliance material to financial statements noted?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

Federal Awards

Internal control over major programs:

Material weaknesses identified?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Significant deficiencies identified?	Yes <input type="checkbox"/>	None reported <input checked="" type="checkbox"/>

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

Identification of Major Programs

Assistance Listing Number(s)

Name of Federal Program or Cluster

93.917	U.S. Department of Health and Human Services/Ryan White Part B
93.918	U.S. Department of Health and Human Services/Ryan White Part C

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

Yes No

**POSITIVE IMPACT HEALTH CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022**

**Section 2 Financial Statement Findings Reported in Accordance with
 Government Auditing Standards**

We noted no findings or questioned costs which are required to be reported under *Government Auditing Standards* for the year ended December 31, 2022.

Section 3 Federal Award Findings and Questioned Costs

We noted no findings or questioned costs which are required to be reported under Section 2 CFR 200.516(a), *Audits of States, Local Governments, and Non-Profit Organizations* for the year ended December 31, 2022.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION**

To the Board of Directors
Positive Impact Health Centers, Inc.

We have audited the financial statements of Positive Impact Health Centers, Inc. as of and for the year ended December 31, 2022, and have issued our report thereon dated DATE, which contained an unmodified opinion on those financial statements and appears on Pages 1 through 3. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary material on Pages 43 and 44 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Warren Averett, LLC

Atlanta, Georgia
May 19, 2023

**POSITIVE IMPACT HEALTH CENTERS, INC.
SCHEDULE OF STATE CONTRACTUAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2022**

		<u>Total Budgets</u>	<u>Cash Receipts</u>	<u>Expenditures Incurred</u>	<u>Balance Due from State</u>
Georgia Department of Human Resources/ HIV Prevention Activities					
Contract #40500-044-20192849	Contract year – 01/01/21–12/31/21	\$ 218,265	\$ 193,741	\$ 24,515	\$ -
Contract #40500-044-22192849	Contract year – 01/01/22–12/31/22	218,265	181,878	193,750	11,872
TOTAL		<u>\$ 436,530</u>	<u>\$ 375,619</u>	<u>\$ 218,265</u>	<u>\$ 11,872</u>

See independent auditors' report on supplementary information.

**POSITIVE IMPACT HEALTH CENTERS, INC.
PROGRAM INCOME DISTRIBUTION
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Ryan White Part A	Ryan White Part B	Ryan White Part C	CDC	SAMHSA	Georgia Prevention	Total Program Income
Patient and clinic income							
Clinic insurance	\$ 270,413	\$ 60,559	\$ 37,840	\$ -	\$ -	\$ -	\$ 368,812
Patient income	206,553	46,257	28,904	-	-	-	281,714
Clinic Medicare	14,300	3,202	2,001	-	-	-	19,503
Clinic Medicaid	13,896	3,112	1,945	-	-	-	18,953
Clinic medical records	670	150	94	-	-	-	914
Other program income							
STI services	-	-	-	1,800	-	-	1,800
Therapy service	-	-	-	-	40	-	40
Contract Pharm-Gwinnett	-	-	-	53,271	-	-	53,271
ADAP fill fees	-	-	-	82,078	-	-	82,078
Marietta grants pass-through	87,087	19,503	12,186	-	-	-	118,776
	<u>\$ 592,918</u>	<u>\$ 132,784</u>	<u>\$ 82,970</u>	<u>\$ 137,149</u>	<u>\$ 40</u>	<u>\$ -</u>	<u>\$ 945,861</u>

See independent auditors' report on supplementary information.