

HOPE FAMILY HEALTH SERVICES, INC.

Financial Statements

December 31, 2020 and 2019

(With Independent Auditor's Report Thereon)

HOPE FAMILY HEALTH SERVICES, INC.

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Independent Auditor's Report

The Governing Board
HOPE Family Health Services, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of HOPE Family Health Services, Inc. (the Organization) which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, 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 in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HOPE Family Health Services, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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. 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, except for the omission of provider relief funds of \$45,897 from the schedule of expenditures of federal awards, as required by the U.S. Department of Health and Human Services, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021 on our consideration of HOPE Family Health Services, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* considering HOPE Family Health Services, Inc.'s internal control over financial reporting and compliance.

Lebanon, TN

October 29, 2021

HOPE Family Health Services, Inc.
Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
ASSETS		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 1,455,483	\$ 689,709
Accounts Receivable	257,329	140,223
Contract 340B Receivables	24,675	38,623
Grants Receivable	388,254	102,261
Other Receivables	21,875	16,473
Inventory	115,908	108,964
Prepaid Expenses	119,560	805
<i>Total Current Assets</i>	2,383,084	1,097,058
Property and Equipment, net	1,605,781	1,310,758
Assets Limited to Use - USDA Escrow	11,242	7,375
 Total Assets	\$ 4,000,107	\$ 2,415,191
 LIABILITIES AND NET ASSETS		
<i>Current Liabilities</i>		
Accounts Payable	\$ 131,806	\$ 98,021
Accrued Payroll Liabilities	74,670	127,028
Accrued Compensated Absences	104,690	64,144
Unearned Grant Revenue	0	26,997
Accrued Interest Payable	3,989	17,477
Current Portion of Long Term Capital Leases	0	28,992
Current Portion of Long Term Debt	455,428	16,448
<i>Total Current Liabilities</i>	770,583	379,107
 <i>Long-Term Liabilities</i>		
Note Payable	1,841,063	1,068,415
Capital Leases Payable	0	28,992
Less Current Portion of Capital Leases	0	(28,992)
Less Current Portion of Long Term Debt	(455,428)	(16,448)
<i>Total Long-Term Liabilities</i>	1,385,635	1,051,967
 Total Liabilities	2,156,218	1,431,074
 <i>Net Assets</i>		
Net Assets - Without Donor Restrictions	1,708,064	879,491
Net Assets - With Donor Restrictions	135,825	104,626
<i>Total Net Assets</i>	1,843,889	984,117
 Total Liabilities and Net Assets	\$ 4,000,107	\$ 2,415,191

The accompanying notes are an integral part of this financial statement.

HOPE Family Health Services, Inc.
Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2020 and 2019

	2020	2019
Support and Revenues:		
Patient Revenue	\$ 2,520,402	\$ 2,216,412
Contract 340B Revenue	553,402	562,534
Other Contract Revenue	54,411	110,002
Federal Grants	2,623,316	1,996,830
Other Grants	133,323	70,665
Contributions	25,862	12,599
Net Assets Released from Restriction	436,719	433,314
<i>Total Support and Revenues</i>	6,347,435	5,402,356
Expenses:		
Program Services	4,257,378	3,497,532
General and Administrative	1,325,022	1,377,494
<i>Total Expenses</i>	5,582,400	4,875,026
Other Income:		
Federal Grant for Capital Expansion	61,801	49,967
Other Income	1,737	8,000
<i>Total Other Income</i>	63,538	57,967
<i>Change in Net Assets Without Donor Restriction</i>	828,573	585,297
Net Assets With Donor Restriction		
Contributions	467,918	287,345
Net Assets Released from Restriction	(436,719)	(433,314)
Increase (Decrease) Net Assets With Donor Restriction	31,199	(145,969)
Total Change in Net Assets	859,772	439,328
Net Assets at Beginning of Year	984,117	544,789
Net Assets at End of Year	\$ 1,843,889	\$ 984,117

The accompanying notes are an integral part of this financial statement.

HOPE Family Health Services, Inc.
Statements of Functional Expenses
For the Years Ended December 31, 2020 and 2019

2020	Program Services	General and Administrative	2020 Total
Salaries and Wages	\$ 2,163,407	\$ 735,531	\$ 2,898,938
Fringe Benefits	212,191	72,142	284,333
Purchased Services and Professional Fees	309,650	155,760	465,410
Supplies	1,049,807	119,428	1,169,235
Depreciation	130,684	32,671	163,355
Travel, Communication, and Other	391,640	209,489	601,129
Total	\$ 4,257,378	\$ 1,325,022	\$ 5,582,400

2019	Program Services	General and Administrative	2019 Total
Salaries and Wages	\$ 1,789,268	\$ 794,302	\$ 2,583,570
Fringe Benefits	191,579	85,047	276,626
Purchased Services and Professional Fees	249,499	218,251	467,750
Supplies	828,712	62,504	891,216
Depreciation	86,734	21,684	108,418
Travel, Communication, and Other	351,740	195,706	547,446
Total	\$ 3,497,532	\$ 1,377,494	\$ 4,875,026

The accompanying notes are an integral part of this financial statement.

HOPE Family Health Services, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 859,772	\$ 439,328
<i>Adjustments:</i>		
Depreciation	163,355	108,418
Federal Grant for Capital Expansion	(61,801)	(49,967)
Change in:		
Accounts Receivable	(117,106)	16,161
Contract 340B Receivables	13,948	(15,448)
Grants Receivable	(285,993)	(92,175)
Other Receivable	(5,402)	(4,881)
Inventory	(6,944)	2,163
Prepaid Expenses	(118,755)	17,477
Accounts Payable	33,785	40,390
Unearned Grant Revenue	(26,997)	26,997
Accrued Payroll Liabilities	(52,358)	12,980
Accrued Compensated Absences	40,546	3,956
Accrued Interest	(13,488)	0
	<u>422,562</u>	<u>505,399</u>
Cash Flows From Investing Activities:		
Purchases of Property, Plant and Equipment	(458,378)	(853,793)
Federal Grant for Capital Expansion	61,801	49,967
	<u>(396,577)</u>	<u>(803,826)</u>
Cash Flows From Financing Activities:		
Principal Payment on Capital Leases	(28,992)	(42,279)
Issuance of Notes Payable	786,544	750,126
Principal Payments on Notes Payable	(13,896)	(11,463)
Draws (Paydowns) on Line of Credit	0	(7,121)
	<u>743,656</u>	<u>689,263</u>
Net Increase (Decrease) in Cash	<u>769,641</u>	<u>390,836</u>
Cash at Beginning of The Year, including restricted cash	697,084	306,248
Cash at End of The Year, including restricted cash	<u>\$ 1,466,725</u>	<u>\$ 697,084</u>
Supplemental Data:		
Interest Paid in Financing Activities	\$ 68,057	\$ 16,565

The accompanying notes are an integral part of this financial statement.

HOPE FAMILY HEALTH SERVICES, INC.

Notes to Financial Statements

December 31, 2020 and 2019

(1) Nature of Activities and Summary of Significant Accounting Policies

(a) Nature of The Business

HOPE Family Health Services, Inc. (the Organization) is a not-for-profit corporation organized under the laws of the State of Tennessee. The Organization provides outpatient health care services and qualifies as a Federally Qualified Health Center (FQHC). The Organization is principally funded through payments from Medicare, Medicaid, private insurance and patients. Funding is also obtained through support provided by the Department of Health and Human Services, Health Resource and Services Administration (HRSA) and through other third-party grants and contributions.

(b) Basis of Presentation

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

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

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

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Net assets for which the restriction is met in the same year of receipt are reported in the statements of activities as unrestricted.

(c) Cash and Cash Equivalents

The Organization considers all liquid investments, other than those limited as to use, with original maturities of three months or less to be cash equivalents. At December 31, 2020 and 2019, cash equivalents consisted primarily of money market accounts. At December 31, 2020, cash balances of approximately \$969,000 exceeded Federal Deposit Insurance Coverage and was not secured by federal securities.

The Organization also has cash that is restricted under loan covenants with the United States Department of Agriculture. These restricted cash balances were \$11,242 and \$7,375 at December 31, 2020 and 2019, respectively.

HOPE FAMILY HEALTH SERVICES, INC.

Notes to Financial Statements

December 31, 2020 and 2019

(d) Accounts Receivable

Patient accounts receivable include amounts due from federal and state agencies (under the Medicare and Medicaid programs), commercial insurance companies, and patients. These receivables are subject to explicit and implicit discounts based on contractual agreements, discount policies, and management's assessment of historical experience. These discounts are reflected in the period of services.

(e) Grants and Contributions Receivable

Receivables for grants, such as Federal grants and other grants and contributions, are recognized as support if the donor communicates an unconditional promise to give to the Organization. Conditional promises to give are not recognized as support until the donor's conditions are substantially met. Contributions that are restricted by the donor (e.g., as to the passage of time or use for a specific purpose), are reported as increases in net assets with donor restrictions. Upon satisfaction or expiration of a donor restriction, the applicable net assets are reclassified to net assets without donor restrictions.

Contributions are recorded at fair value on the date received. The fair value of an unconditional promise to give to the Organization that is expected to be received after one year is deemed to be equal to its estimated present value based on a risk-free interest rate for issues with a similar maturity.

(f) Inventories

The Organization records all pharmaceuticals as inventory items when purchased. On a monthly basis, inventory is adjusted for the items dispensed to patients. The value of the inventory is determined on the First in, First Out Basis (FIFO) using the lower of cost or net realizable value. Generally, medical supplies are not considered to be material and are expensed as they are purchased.

(g) Property and Equipment

Property and equipment acquired with DHHS funds are considered to be owned by the Organization while used in the program or in future authorized programs. However, DHHS retains a reversionary interest in these assets as well as the right to determine the use of any proceeds from the sale of such assets. Accordingly, the Organization may not transfer, mortgage, assign, lease or in any other manner encumber certain property items without the prior approval of DHHS.

Property and equipment are depreciated on the straight-line method over estimated useful lives of the assets, which range from five to seven years for furniture and equipment and forty years for buildings. Expenditures for maintenance and repairs are expenses when incurred. Expenditures for renewals or betterments are capitalized. The threshold for capitalization is \$1,000. When property is retired or sold, the cost and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in operations.

(h) Revenue

To determine the appropriate revenue recognition policy, the Organization assesses whether the transaction is an exchange or non-exchange transaction in accordance with accounting standards. In general, an exchange transaction consists of an exchange of goods and/or services for commensurate value. Transactions that consist of transferring goods and/or services without receiving commensurate value in return are considered non-exchange transactions.

HOPE FAMILY HEALTH SERVICES, INC.

Notes to Financial Statements

December 31, 2020 and 2019

Revenue from Non-Exchange Transactions: Non-exchange transactions include contributions and grants for which the transferor does not receive commensurate value in return for the funding. Revenue recognized as non-exchange transactions primarily include Federal grant revenue and other grants and contributions revenue.

Revenue from Exchange Transactions: Revenue related to exchange transactions is recognized as goods and/or services are provided and is based on the amount expected to be received in exchange for those goods and/or services. Revenue recognized as exchange transactions primarily includes net patient service revenue and pharmacy revenue.

The Organization recognizes patient service revenue in the period in which performance obligations under its contracts are satisfied by transferring services to patients. All services are performed in an outpatient setting, and the Organization measures the performance obligation on the date of the outpatient visit. Bills to patients and third-party payers are generally sent within a few days or weeks of the outpatient visit.

The Organization maintains agreements with The Centers for Medicare and Medicaid Services under the programs that govern payments for services rendered to patients covered by these agreements. The agreements generally provide for per case or per diem rates or payments based on discounted charges or fee schedules. Certain contracts also provide for payments that are contingent upon meeting agreed upon quality and efficiency measures.

The Organization recognizes net patient service revenue associated with services provided to patients who have third-party payer coverage based on contractual rates for the services rendered.

The Organization also provides either full or partial charity care to patients who cannot afford to pay for their medical services based on income and family size. Charity care is generally available to qualifying patients for medically necessary services. As there is no expectation of collection, there is no net patient service revenue recorded related to charity care. The cost of providing charity care for the fiscal years ended 2020 and 2019 was \$285,480 and \$279,659, respectively.

For uninsured patients that do not qualify for charity care, the Organization recognizes revenue based on its standard rates (subject to discounts) for services provided. Based on historical experience, a significant portion of uninsured patients are unable or fail to pay for the services provided. Consequently, the Organization determined it has provided implicit discounts to uninsured patients. These discounts represent the difference between amounts billed to patients and amounts expected to be collected based on historical experience.

(i) Expense Allocation

Some expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, and office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

HOPE FAMILY HEALTH SERVICES, INC.

Notes to Financial Statements

December 31, 2020 and 2019

(j) Income Taxes

The Organization is a non-profit corporation as described in Section 501c (3) of the Internal Revenue Code and is exempt from Federal income taxes on related income pursuant to Section 501 (1) of the Code. As of the date of this report the current and two most recent prior years are available for IRS audit.

(k) Estimated Amounts

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and such differences could be material. Significant estimates used by management in preparing these financial statements principally include those assumed in establishing the implicit discounts associated with accounts receivable and the estimated useful lives of property and equipment.

(l) Concentration of Credit and Market Risk

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of patient accounts receivable, which consists of amounts owed by various governmental agencies, insurance companies, and self-pay patients. The Organization manages credit risk related to receivables by recording revenue net of implicit discounts.

(m) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

(2) Fair Value of Financial Instruments

Fair values of the Organization's financial instruments (principally cash and cash equivalents, accounts receivable, and grants receivable) are summarized in the accompanying Statements of Financial Position. Significant fair value measurement principles and assumptions used by the Organization are described in Note 1.

(3) Availability and Liquidity

The following represents the Organization's financial assets at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 1,455,483	\$ 689,709
Accounts Receivable	257,329	140,223
Contract 340B Receivables	24,675	38,623
Grants Receivable	388,254	102,261
Other Receivables	<u>21,875</u>	<u>16,473</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,147,616</u>	<u>\$ 987,289</u>

HOPE FAMILY HEALTH SERVICES, INC.

Notes to Financial Statements

December 31, 2020 and 2019

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$1.3 million). As part of its liquidity plan, excess cash may be invested in short-term investments, including money market accounts and certificates of deposit.

(4) Accounts Receivable

At December 31, 2020 and 2019, the Organization's accounts receivables were comprised of balances due from the following sources:

	<u>2020</u>	<u>2019</u>
Medicare	\$ 50,006	\$ 27,143
Medicaid	14,771	23,033
Commercial Insurance	137,487	33,220
Self Pay	<u>55,065</u>	<u>56,827</u>
Total Accounts Receivable	<u>\$ 257,329</u>	<u>\$ 140,223</u>

(5) Grants Receivable

The Organization has grant receivable balances at December 31 as follows:

	<u>2020</u>	<u>2019</u>
Federal Grants	\$ 203,717	\$ 88,902
Pass Through Federal Grants	118,769	0
State of Tennessee SafetyNet	<u>65,768</u>	<u>13,359</u>
Total Grants Receivable	<u>\$ 388,254</u>	<u>\$ 102,261</u>

All other receivables are due within one year. Therefore, there is no discount related to these receivables at December 31, 2020 and 2019. In addition, management has determined that there is no allowance for uncollectible receivables related to these balances at December 31, 2020 or December 31, 2019.

(6) Property and Equipment

A summary of property and equipment at December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Building and building improvements	\$ 1,483,818	\$ 1,133,783
Furniture and equipment	750,697	632,016
Construction in process	<u>0</u>	<u>10,338</u>
	2,234,515	1,776,137
Less accumulated depreciation	<u>(628,734)</u>	<u>(465,379)</u>
Property and equipment, net	<u>\$ 1,605,781</u>	<u>\$ 1,310,758</u>

Property and equipment is depreciated on a straight-line basis over the estimated useful life. The depreciation for the years ended December 31, 2020 and 2019 was \$163,355 and \$108,418.

HOPE FAMILY HEALTH SERVICES, INC.

Notes to Financial Statements

December 31, 2020 and 2019

(7) Notes Payable

The Organization issued a note payable to the USDA/Rural Development on February 22, 2015 with a principal of \$310,000. This note matures in November 2054 and requires monthly installments of \$1,250, accrues interest at 3.75%, and is collateralized by the Organization's building at its westside location. At December 31, 2020 and 2019, the balances of this note were \$287,304 and \$291,738, respectively.

The Organization issued a second note payable to the USDA/Rural Development on June 12, 2019 with an available principal balance of \$1,020,000. The note was issued for the purchase of the building that the Organization uses for its main site. The cost of this building required the Organization to draw \$750,126 of these funds. The Organization received approval from the USDA/Rural Development to defer principal payments and accrue interest for one year, upon issuance of the loan. The note also includes provisions for additional draws up to the \$1,020,000 for additional renovations of the building. During the year ended December 31, 2020, the Organization drew the remainder of these funds for renovations to the building. The note matures in June 2054 and requires monthly installments of \$4,730.56, accrues interest at 4.25%, and is collateralized by the Organization's building at its main location. At December 31, 2020 and 2019, the balances of this note were \$1,017,672 and \$750,126, respectively.

The Organization issued a note payable to a vendor during January 2018 for the purchase of various office equipment for \$39,636. The note requires 60 monthly installments of \$882 and accrues interest at 12.0%. The note is collateralized by the related equipment. At December 31, 2020 and 2019, the balances of this note were \$19,417 and \$26,551, respectively.

The Organization issued a \$516,670 note payable to US Bank on April 17, 2020 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses that include a provision of forgiveness whereby borrowers will not be responsible for any loan payment if the proceeds are utilized for forgivable purposes described in the CARES Act. These purposes include payment of payroll costs, rent, and utilities. The Organization believes that its use of the proceeds from the note payable are consistent with these purposes and meet the conditions for forgiveness of the debt. Any unforgiven portion of the PPP note payable accrues interest at 1.0% and requires 17 monthly payments of principal and interest of approximately \$28,991 beginning October 17, 2020. At December 31, 2020, the balance of this note was \$516,670. In May 2021, the Organization received notification from US Bank that the loan had been forgiven.

Interest of \$54,569 and \$34,042 was incurred and expensed during the years ended December 31, 2020 and 2019, respectively. The minimum obligations on notes payable are as follows for the years ending December 31:

2021	\$	455,428
2022		116,222
2023		20,258
2024		20,194
2025		21,045
Thereafter		<u>1,207,916</u>
Total	\$	<u>1,841,063</u>

HOPE FAMILY HEALTH SERVICES, INC.

Notes to Financial Statements

December 31, 2020 and 2019

In addition, the Organization is required under the 2015 and 2019 USDA loan agreements to deposit ten-percent (10%) of the annual installments due into an escrow account. At December 31, 2020 and 2019, the minimum required balances held in an escrow account were \$11,242 and \$7,375, respectively. At December 31, 2020 and 2019, the balances in the escrow account met or exceeded the combined minimum required balance.

The Organization has an unsecured revolving line of credit with a limit of \$10,000. The line of credit accrues interest at 7.0% and has a maturity of February 26, 2025. At both December 31, 2020 and 2019, the outstanding balances on the line of credit were \$0.

(8) Capital Lease

From 2016 through the year ended December 31, 2019, the Organization had a capital lease for pharmacy equipment that required monthly payments of \$3,497. The Organization capitalized \$179,930 of pharmacy equipment, recorded the related note as a liability, and recorded depreciation of the assets acquired as operating expense. The lease had an outstanding balance of \$28,992 at December 31, 2019. The lease matured during the year ending December 31, 2020, and the Organization purchased the related assets for \$1.

(9) Operating Lease

The Organization had an operating five-year lease which began on May 1, 2015, for its primary medical site. This lease required monthly payments of \$4,000. During the year ended December 31, 2019, the Organization made lease payments of \$48,000 under this agreement. The Organization purchased the building during the year ended December 31, 2019, and the lease was terminated. Therefore there are no future lease payments required under this agreement.

(10) Provider Relief Funds

During the year ended December 31, 2020, the Organization received \$45,897, respectively, of Provider Relief Funds as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. These funds are not subject to repayment, provided that the Organization is able to demonstrate that the distributions received have been used for qualifying expenses or lost profit attributable to COVID-19. Based on the Organization's revenues and expenses, including COVID-19-related expenses reimbursed by other sources, the Organization earned the full \$45,897 during the fiscal year ended December 31, 2020. The revenue is included with federal grant revenue in the accompanying statements of activities and changes in net assets.

The extent of the COVID-19 pandemic on the Organization will continue to be affected by many factors, most of which are outside the Organization's control. The Organization cannot determine the effect that the pandemic will have on its operations or on significant accounting estimates within its financial statements.

HOPE FAMILY HEALTH SERVICES, INC.

Notes to Financial Statements

December 31, 2020 and 2019

(11) Net Assets With Donor Restriction

The following is a summary of the Organization's net assets with donor restriction at December 31:

	<u>2020</u>	<u>2019</u>
Pharmacy Services	\$ 67,575	\$ 36,376
COVID-19	21,000	21,000
Chronic Illness Services	<u>47,250</u>	<u>47,250</u>
Total Net Assets With Donor Restriction	<u>\$ 135,825</u>	<u>\$ 104,626</u>

(12) Federal Grant Support

The Organization received grants from the U.S. Department of Health and Human Services and the U.S. Department of Agriculture with combined totals of \$2,685,117 (\$2,566,348 direct and \$118,769 pass through) and \$2,046,797 (\$2,046,797 direct and \$0 pass through) of which all was obligated for the fiscal years ended December 31, 2020 and 2019. Under the terms of these grants the Organization is required to comply with certain federal and state guidelines and the grantors retain a residual interest in assets acquired with grant funds.

(13) Patient Revenue

The following summarizes net patient service revenue, net of contractual allowances and discounts by significant payer for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Medicare	\$ 717,386	\$ 800,746
Medicaid	232,842	176,159
Commercial Insurance	1,398,252	967,398
Self Pay	<u>171,922</u>	<u>272,109</u>
Total Patient Revenue	<u>\$ 2,520,402</u>	<u>\$ 2,216,412</u>

(14) Contract 340B Revenue

The Organization has a network of participating pharmacies that dispense the pharmaceuticals to its patients under contract arrangement with the Organization. The Organization participates in the 340B "Drug Discount Pricing Program" which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Discount Pricing Program is managed by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs. The Organization earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients.

The following summarizes net contract 340B revenue, net of drug replenishment costs and administrative costs for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Gross Receipts	\$ 553,402	\$ 562,534
Drug Replenishment Costs	(78,428)	(67,135)
Administrative Costs	<u>(146,691)</u>	<u>(131,679)</u>
Net 340B Revenue	<u>\$ 328,283</u>	<u>\$ 363,720</u>

HOPE FAMILY HEALTH SERVICES, INC.

Notes to Financial Statements

December 31, 2020 and 2019

(15) Contributions

During the years ended December 31, 2020 and 2019, the Organization received cash contributions of \$13,062 and \$12,599, respectively. The Organization also received gift in kind contributions of supplies with an estimated value of approximately \$12,800 during the year ended December 31, 2020. There were no gift in kind contributions received during the year ended December 31, 2019.

(16) Medical Malpractice Coverage

The Bureau of Primary Health Care, in accordance with Section 224 of the Public Health Service Act, provides liability protection to the Organization under the Federal Tort Claims Act (FTCA) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental, and related functions. The FTCA coverage is comparable to an “occurrence” policy without a monetary cap

(17) Significant Source of Revenue

Approximately 41% and 38% of the Organization’s revenue for the years ended December 31, 2020 and 2019, respectively, was provided by grants from the U.S. Department of Health and Human Services and the U.S. Department of Agriculture. The Organization is dependent on this continued funding and the absence of these grants could possibly have a negative effect on operations.

(18) Related Party Transactions

The Organization is required by its federal grantor to maintain a governing board of individuals of which more than 50% are users of the Organization. Therefore, the Organization does have related party transactions with those directors. These transactions were not material to the operation of the Organization and were conducted at “arms-length.”

(19) Subsequent Events

Management has evaluated the events and transactions subsequent to the statement of financial position through the date of the auditor’s report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Management has not identified any items requiring recognition or disclosure.

(20) Future Accounting Changes

The Financial Accounting Standards Board issued Accounting Standards Update 2016-02, *Leases (Topic 842)*, which it believes will improve the current reporting requirements. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The new standard is effective for annual periods beginning after December 15, 2021. The Organization has not yet determined the effect these changes will have on its financial statements.

SUPPLEMENTAL SCHEDULES

HOPE FAMILY HEALTH SERVICES, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2020

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Health and Human Services</u>				
Health Center Program Cluster Grants for New and Expanded Service Under the Health Center Program <i>Grant No. H80CS 24109</i>	93.527	N/A	N/A	\$ 1,629,538
Grants for New and Expanded Service Under the Health Center Program <i>Grant No. H80CS 24109</i>	93.224	N/A	N/A	312,909
COVID-19 Consolidated Health Center (Community Health Centers, Migrant Health, Health Care for the Homeless, and Public Housing Primary Care) <i>Grant No. H8CCS 35305, H8DCS 36229 H8ECS 37912</i>	93.224	N/A	N/A	<u>516,204</u>
Total Health Center Program Cluster				2,458,651
<u>U.S. Department of Agriculture</u>				
Community Facilities Loans and Grants	10.766	N/A	N/A	<u>61,801</u>
Total Direct Federal Grants				2,520,452
<u>Pass Through</u>				
COVID-19 United Way Greater Nashville Tennessee Community CARES Coronavirus Relief Fund	21.019	N/A	N/A	<u>118,769</u>
Total Federal Grants				2,639,221
<u>U.S. Department of Agriculture</u>				
Community Facilities Loans and Grants	10.766	N/A	N/A	<u>295,000</u>
Total Federal Expenditures				<u>\$ 2,934,221</u>

HOPE FAMILY HEALTH SERVICES, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2020

Note to Schedule of Expenditures of Federal Awards

Note A- Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award (the "Schedule") of HOPE Family Health Services, Inc. under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the 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)*. Because the Schedule presents only a selected portion of the operations of HOPE Family Health Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of HOPE Family Health Services, Inc.

Note B-Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. HOPE Family Health Services, Inc. has elected not to use the 10 percent de minimus indirect cost rate allowed under Uniform Guidance.

Note C - Loans Outstanding

HOPE Family Health Services, Inc. had the following loan balances outstanding at December 31, 2020:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Community Facilities Loan	10.766	\$ 287,304
Community Facilities Loan	10.766	\$ 1,017,672

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

The Governing Board
HOPE Family Health Services, 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 HOPE Family Health Services, Inc. which comprise the statements of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, 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 October 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HOPE Family Health Services, 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 HOPE Family Health Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of HOPE Family Health Services, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. **We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002, that we consider to be material weaknesses.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HOPE Family Health Services, 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lebanon, TN

October 29, 2021

Independent Auditor's Report on Compliance for Each Major Federal Program and
on Internal Control Over Compliance Required by the Uniform Guidance

The Governing Board
HOPE Family Health Services, Inc.

Report on Compliance for Each Major Federal Program

We have audited HOPE Family Health Services, 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 HOPE Family Health Services, Inc.'s major federal programs for the year ended December 31, 2020. HOPE Family Health Services, 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of HOPE Family Health Services, 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; and 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 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 HOPE Family Health Services, 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 HOPE Family Health Services, Inc.'s compliance.

Basis for Qualified Opinion on Health Center Program Cluster

As described in the accompanying schedule of findings and questioned costs, HOPE Family Health Services, Inc. did not comply with requirements regarding grant reporting, special tests and provisions, and cash management that is applicable to its Health Center Program Cluster as described in findings 2020-003, 2020-004, and 2020-005. Compliance with such requirements is necessary, in our opinion, for HOPE Family Health Services, Inc. to comply with the requirements applicable to that program.

Qualified Opinion on Health Center Program Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, HOPE Family Health Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Health Center Cluster Program for the year ended December 31, 2020.

Other Matters

HOPE Family Health Services, Inc.'s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. HOPE Family Health Services, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of HOPE Family Health Services, 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 HOPE Family Health Services, 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 HOPE Family Health Services, Inc.'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify deficiencies in internal control over compliance that we consider to be material weaknesses.

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 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. **We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-003, 2020-004, 2020-005 to be material weaknesses.**

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.

HOPE Family Health Services, Inc.'s response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. HOPE Family Health Services, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Lebanon, TN
October 29, 2021

HOPE FAMILY HEALTH SERVICES, INC.

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2020

Section A-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified
Internal control over financial reporting:
Material Weakness(es) identified? X yes _____ no
Significant Deficiency(ies) identified? _____ yes X none reported
Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal Control over major programs:
Material Weakness(es) identified? X yes _____ no
Significant Deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes _____ no

Identification of major programs:

CFDA Number

93.527 & 93.224
10.766

Name of Federal Program

Health Center Program Cluster
Community Facilities Loans and Grants

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

Auditee qualified as low-risk auditee? _____ yes X no

HOPE FAMILY HEALTH SERVICES, INC.

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2020

Section B- Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, and abuse related to the financial statements for which Government Auditing Standards requires reporting.

Material Weakness in Controls over Financial Reporting

Finding: 2020-001 Internal Control Deficiency

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting.

Condition: The Organization's financial statements required adjustments to be in conformity with accounting principles generally accepted in the United States of America (GAAP). Areas in which adjustments were proposed and recorded include:

- Accounts receivable and related revenue
- Grants receivable, contracts receivable, and related revenue
- Prepaid expenses and related expenses
- Fixed assets and related depreciation expense
- Accounts payable and related expense
- Payroll liabilities and related expense

Context: The Organization's financial statements should be prepared in conformity with GAAP. Timely and thorough account reconciliations and review of general ledger detail are critical to identify necessary adjustments. The Organization should record financial transactions through the use of the general ledger system modules.

Cause: The Organization failed to identify certain necessary adjustments required to present the financial statements in accordance with GAAP. Management should review existing policies and procedures for necessary changes and formalize the journal entry review process.

Effect: Adjusting journal entries were proposed during the financial statement audit.

Recommendation: Management should take steps to resolve the causes described for the monthly and year-end adjustments.

Auditee's Response and Corrective Action Plan: Management concurs and will review the policies and procedures for necessary changes and formalize the journal entry review process and ensure that transactions are recorded within the general ledger system modules.

Contact Person: Jennifer Dittes, CEO

Anticipated Date of Completion: December 31, 2021

HOPE FAMILY HEALTH SERVICES, INC.

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2020

Material Weakness in Controls over Financial Reporting

Finding: 2020-002 Financial Reporting Accuracy

Criteria: Management is responsible for ensuring the accuracy of financial reporting.

Condition: The Organization's electronic medical records system was not appropriately utilized by management to produce accurate financial reporting due to delayed billings and other system errors. As a result, the Organization had difficulty in actively collecting receivables and appropriately adjusting the Organization's patient revenue and receivables. The Organization's electronic medical records system should be appropriately utilized to ensure that the financial statements are prepared in conformity with GAAP. Timely and thorough account reconciliations and review of general ledger detail are critical to identify necessary adjustments.

Cause: The Organization did not generate adequate reporting from its electronic medical records system to support appropriate financial reporting. In addition, timely billings for services were not made.

Effect: Misstated financial statements could occur, and the Organization experienced lost patient revenue due to delayed billings.

Recommendation: We recommend management research different ways to ensure timely billing. We also recommend management develop procedures to ensure that appropriate billing system reports are generated to ensure appropriate financial reporting.

Auditee's Response and Corrective Action Plan: Management concurs and will implement processes to ensure timely billing and generation of billing system reports as recommended above.

Contact Person: Jennifer Dittes, CEO

Anticipated Date of Completion: December 31, 2021

HOPE FAMILY HEALTH SERVICES, INC.

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2020

Section C-Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by 2 CFR 200.516(a), significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs, and material abuse.

Material Weakness

Finding: 2020-003 Uniform Data System Report

Federal Programs: Department of Health and Human Services
Health Center Program Cluster
CFDA 93.224 and 93.527

Criteria: Uniform Guidance, Special Reporting – Uniform Data System

Condition: The Uniform Data System report submitted to DHHS for the year ended December 31, 2020 contained incorrect data for patient revenue. Tables 8E and 9D did not include accurate financial results. The expenses on Table 8E of the UDS report were overstated by approximately \$460,000. The charges reported on Table 9D were understated by approximately \$961,000 and adjustments were understated by approximately \$376,000.

Cause: The above exception resulted from errors in preparing the Uniform Data System report.

Effect: The Department of Health and Human Services reviews the UDS data for financial analysis for grant recipients. Errors in this data causes incorrect financial analysis results and distorted performance indicators.

Questioned Costs: None.

Context/Sampling: The finding appears to be systemic.

Repeat Finding from Prior Year: Yes

Recommendation: It is recommended that a system should be developed to ensure that accurate expenses, charges, and adjustments are reported and reconciled to the UDS report. HRSA should be informed of the error and the 2020 Tables 8E and 9D should be revised and resubmitted, if requested.

Auditee's Response and Corrective Action Plan: Management concurs. Efforts will be made to ensure that the revenue recorded is reconciled to the revenue on the UDS report.

Contact Person: Jennifer Dittes, CEO

Anticipated Date of Completion: December 31, 2021

HOPE FAMILY HEALTH SERVICES, INC.

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2020

Material Weakness

Finding: 2020-004 Sliding Fee Discounts

Federal Programs: Department of Health and Human Services
Health Center Program Cluster
CFDA 93.224 and 93.527

Criteria: Uniform Guidance, Special Tests & Provisions, Sliding Fee Discounts, 42 CFR, 56.303

Condition: Health Centers receiving funding under the Health Center Program Cluster must prepare and apply a sliding fee discount so that the amounts owed for health center services by eligible patients are discounted based on the patient's ability to pay. During compliance testing, it was determined that the Organization did not properly apply the sliding fee discounts for 3 patients out of a sample of 20 patients for the year ended December 31, 2020. In addition, it was determined that the Organization did not appropriately implement its updated sliding fee scale for several months after it was approved by the Board.

Cause: There were deficiencies in internal controls to ensure that proper documentation was obtained and that proper sliding fee discounts were applied to patient accounts in accordance with the Organization's sliding fee scale. The sliding fee scale file was not properly utilized in the application of discounts provided to patients.

Effect: Discounts were not properly applied to patient accounts.

Questioned Costs: None.

Context/Sampling: For 3 of 20 patients selected for testing, the account had an incorrect discount applied. This sample was not, and was not intended to be, a statistically valid sample. The finding appears to be a systemic issue.

Repeat Finding from Prior Year: No

Recommendation: It is recommended that employees are properly trained to apply the sliding fee discounts, and that the sliding fee discounts are reviewed by a supervisor on a periodic basis to ensure compliance with the sliding fee scale. Management should ensure that changes to the Organization's policies, including its sliding fee scale, are appropriately implemented when approved by the Board.

Views of Responsible Officials: Management concurs. Efforts will be made to implement corrective actions as recommended above.

Contact Person: Jennifer Dittes, CEO

Anticipated Date of Completion: December 31, 2021

HOPE FAMILY HEALTH SERVICES, INC.

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2020

Material Weakness

Finding: 2020-005 Cash Management

Federal Programs: Department of Health and Human Services
Health Center Cluster,
CFDA 93.527 and 93.224

Criteria: Cash Management, 45 CFR 75.305

Condition: During the year, the Organization drew federal funds without reconciling program expenses to ensure that valid expenditures were made prior to the draws. The Organization is required to minimize the time elapsing between the transfer of funds to the Organization from the U.S. Treasury and the issuance of payments for program purposes by the Organization. During the audit of grant revenue and related receivables, it was noted that federal grant revenue and the related receivables were understated by approximately \$15,000.

Cause: The Organization did not identify qualifying expenditures prior to drawing down grant funds.

Effect: Federal grant revenue and federal grant receivable were understated by \$15,000.

Questioned Costs: None

Context/Sampling: The finding appears to be systemic.

Repeat Finding from Prior Year: Yes

Recommendation: It is recommended that the grant revenue and receivable reported on the general ledger be reconciled to the grant activity report on a monthly basis, and all unreconciled balances investigated on a timely basis.

Auditee's Response and Corrective Action Plan: Management concurs. Management will reconcile all grant activity reports and grant revenue and related receivable on the general ledger to the year-to-date grant activity reports and investigate any unreconciled differences.

Contact Person: Jennifer Dittes, CEO

Anticipated Date of Completion: December 31, 2021

HOPE FAMILY HEALTH SERVICES, INC.

Summary Schedule of Prior Year Audit Findings

December 31, 2020

Finding: 2019-001 Internal Control Deficiency

The Organization's financial statements required adjustments to be in conformity with accounting principles generally accepted in the United States of America (GAAP).

Status of Finding: Unresolved. Repeated as current year Finding 2020-001.

Finding: 2019-002 Uniform Data System Report

The Uniform Data System report submitted to DHHS for the year ended December 31, 2019 contained incorrect data for patient revenue.

Status of Finding: Unresolved. Repeated as current year Finding 2020-003.

Finding: 2019-003 Cash Management

During the year, the Organization drew federal funds that were not disbursed for program expenses. The Organization is required to minimize the time elapsing between the transfer of funds to the Organization from the U.S. Treasury and the issuance of payments for program purposes by the Organization.

Status of Finding: Unresolved. Repeated as current year Finding 2020-005.