

**UNIVERSITY COMMUNITY  
HEALTH SERVICES, INC.  
D/B/A CONNECTUS HEALTH**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

*As of and for the Years Ended June 30, 2021 and 2020*

*And Report of Independent Auditor*

**UNIVERSITY COMMUNITY HEALTH SERVICES, INC.**  
**D/B/A CONNECTUS HEALTH**  
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*JUNE 30, 2021*

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**UNIVERSITY COMMUNITY HEALTH SERVICES, INC.**  
**D/B/A CONNECTUS HEALTH**  
**ROSTER OF OFFICIALS OF THE ORGANIZATION**

*JUNE 30, 2021*

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**BOARD OF DIRECTORS**

Amy Radcliff – President

Brent Taylor

Shana Berkley

Kevin Conard

Ebony Gilbert

Collins de la Cour

Jaime Combs

Yuri Cunza

Pamela Johnson

Loraine Segovia

Pamela Pullen

Joseph Taylor

**MEMBERS OF MANAGEMENT**

Carolina Portis-Jenkins – Co-CEO, Director of On Site Clinics & Employer Health Services

Suzanne Hurley – Co-CEO, Director of Community & Women's Health Services

Valerie Butt – CFO

## Report of Independent Auditor

To the Board of Directors  
University Community Health Services, Inc.  
d/b/a Connectus Health  
Nashville, Tennessee

We have audited the accompanying financial statements of University Community Health Services, Inc., d/b/a Connectus Health (the "Organization"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of operations 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Organization'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 Organization'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 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 University Community Health Services, Inc., d/b/a Connectus Health, as of June 30, 2021 and 2020, and the results of its operations, 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

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards and related notes, as required by Title 2 U.S. Code of Federal Regulations 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 audits 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.

The Roster of Board of Directors and Executive Staff on page 1, which is the responsibility of management, is of a nonaccounting nature and has not been subjected to the auditing procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2022 on our consideration of the Organization'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 the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



Nashville, Tennessee  
February 25, 2022

**UNIVERSITY COMMUNITY HEALTH SERVICES, INC.**  
**D/B/A CONNECTUS HEALTH**  
**STATEMENTS OF FINANCIAL POSITION**

*JUNE 30, 2021 AND 2020*

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 1,824,150	\$ 2,046,550
Patient accounts receivable, net	596,860	387,824
Contract services and other grants receivable	293,548	306,413
Prepaid expenses and other assets	79,638	79,331
Total Current Assets	2,794,196	2,820,118
Deposits	10,379	12,182
Property and equipment, net	514,370	90,640
<b>Total Assets</b>	<b>\$ 3,318,945</b>	<b>\$ 2,922,940</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Current portion of capital lease obligations	\$ 29,131	\$ 17,100
Accounts payable and accrued expenses	233,709	167,404
Accrued payroll and related benefits	206,399	159,503
Deferred rent	350	1,167
Total Current Liabilities	469,589	345,174
Deferred revenue	30,026	892,004
Capital lease obligations, excluding current portion	110,007	-
Other long-term liabilities	4,301	7,218
Total Liabilities	613,923	1,244,396
Net Assets:		
Without donor restrictions	2,705,022	1,627,945
With donor restrictions	-	50,599
Total Net Assets	2,705,022	1,678,544
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,318,945</b>	<b>\$ 2,922,940</b>

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

**UNIVERSITY COMMUNITY HEALTH SERVICES, INC.**  
**D/B/A CONNECTUS HEALTH**  
**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**

*YEAR ENDED JUNE 30, 2021*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenue, Grants, and Other Support:			
DHHS grants	\$ 3,227,674	\$ -	\$ 3,227,674
Patient services, net of			
contractual adjustments	1,951,381	-	1,951,381
Contract services and other grants	1,811,249	25,000	1,836,249
Paycheck Protection Program	773,129	-	773,129
Miscellaneous	121,476	-	121,476
In-kind contributions	78,188	-	78,188
Net assets released from restrictions	75,599	(75,599)	-
<b>Total Revenue, Grants, and Other Support</b>	<b>8,038,696</b>	<b>(50,599)</b>	<b>7,988,097</b>
Expenses:			
Salaries, wages, and benefits	4,640,551	-	4,640,551
Professional fees	648,419	-	648,419
Technology services	385,537	-	385,537
Contract services	258,638	-	258,638
Medical supplies	215,759	-	215,759
Building and equipment rental	117,859	-	117,859
Building services	113,238	-	113,238
Marketing and promotion	101,894	-	101,894
Telephone	96,621	-	96,621
Employee recruiting and retention	81,816	-	81,816
Insurance	75,497	-	75,497
Depreciation	71,503	-	71,503
Other	49,291	-	49,291
Office and administrative	48,328	-	48,328
Repairs and maintenance	30,729	-	30,729
Meals and entertainment	25,939	-	25,939
<b>Total Expenses</b>	<b>6,961,619</b>	<b>-</b>	<b>6,961,619</b>
Changes in net assets	1,077,077	(50,599)	1,026,478
Net assets, beginning of year	1,627,945	50,599	1,678,544
Net assets, end of year	<u>\$ 2,705,022</u>	<u>\$ -</u>	<u>\$ 2,705,022</u>

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

**UNIVERSITY COMMUNITY HEALTH SERVICES, INC.**  
**D/B/A CONNECTUS HEALTH**  
**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**

*YEAR ENDED JUNE 30, 2020*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenue, Grants, and Other Support:			
DHHS grants	\$ 2,648,932	\$ -	\$ 2,648,932
Contract services and other grants	2,059,739	25,000	2,084,739
Patient services, net of contractual adjustments	1,971,485	-	1,971,485
In-kind contributions	80,908	-	80,908
Miscellaneous	61,133	-	61,133
Net assets released from restrictions	-	-	-
Total Revenue, Grants, and Other Support	<u>6,822,197</u>	<u>25,000</u>	<u>6,847,197</u>
Expenses:			
Salaries, wages, and benefits	4,469,066	-	4,469,066
Professional fees	621,656	-	621,656
Medical supplies	420,571	-	420,571
Contract services	306,038	-	306,038
Technology services	274,490	-	274,490
Depreciation	111,639	-	111,639
Marketing and promotion	109,651	-	109,651
Building services	86,002	-	86,002
Building and equipment rental	109,476	-	109,476
Telephone	79,598	-	79,598
Employee recruiting and retention	73,190	-	73,190
Office and administrative	66,533	-	66,533
Insurance	51,446	-	51,446
Other	48,123	-	48,123
Meals and entertainment	19,188	-	19,188
Repairs and maintenance	13,991	-	13,991
Total Expenses	<u>6,860,658</u>	<u>-</u>	<u>6,860,658</u>
Changes in net assets	(38,461)	25,000	(13,461)
Net assets, beginning of year	<u>1,666,406</u>	<u>25,599</u>	<u>1,692,005</u>
Net assets, end of year	<u>\$ 1,627,945</u>	<u>\$ 50,599</u>	<u>\$ 1,678,544</u>

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



**UNIVERSITY COMMUNITY HEALTH SERVICES, INC.**  
**D/B/A CONNECTUS HEALTH**  
**STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED JUNE 30, 2021*

	<b>Program Services</b>			<b>Supporting Services</b>	
	<b>Employer</b>			<b>General and</b>	
	<b>FQHC</b>	<b>Health</b>	<b>Subtotal</b>	<b>Administrative</b>	<b>Total</b>
Salaries, wages, and benefits	\$ 2,645,114	\$ 1,067,327	\$ 3,712,441	\$ 928,110	\$ 4,640,551
Professional fees	245,092	43,617	288,709	359,710	648,419
Technology services	23,132	26,988	50,120	335,417	385,537
Contract services	160,993	30,078	191,071	67,567	258,638
Medical supplies	176,045	39,714	215,759	-	215,759
Building and equipment rental	3,582	-	3,582	114,277	117,859
Building services	33,999	-	33,999	79,239	113,238
Marketing and promotion	9,085	47,589	56,674	45,220	101,894
Telephone	80,195	7,730	87,925	8,696	96,621
Employee recruiting and retention	50,459	-	50,459	31,357	81,816
Insurance	22,393	-	22,393	53,104	75,497
Depreciation	9,952	-	9,952	61,551	71,503
Other	6,482	-	6,482	42,809	49,291
Office and administrative	37,441	1,752	39,193	9,135	48,328
Repairs and maintenance	1,401	-	1,401	29,328	30,729
Meals and entertainment	4,128	-	4,128	21,811	25,939
	<u>\$ 3,509,493</u>	<u>\$ 1,264,795</u>	<u>\$ 4,774,288</u>	<u>\$ 2,187,331</u>	<u>\$ 6,961,619</u>

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

**UNIVERSITY COMMUNITY HEALTH SERVICES, INC.**  
**D/B/A CONNECTUS HEALTH**  
**STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED JUNE 30, 2020*

	Program Services			Supporting Services	
	FQHC	Employer Health	Subtotal	General and Administrative	Total
Salaries, wages, and benefits	\$ 2,547,368	\$ 1,027,885	\$ 3,575,253	\$ 893,813	\$ 4,469,066
Professional fees	246,975	36,214	283,189	338,467	621,656
Technology services	25,234	29,440	54,674	365,897	420,571
Medical supplies	249,234	56,804	306,038	-	306,038
Contract services	167,637	30,833	198,470	76,020	274,490
Building and equipment rental	-	-	-	111,639	111,639
Building services	35,935	-	35,935	73,716	109,651
Marketing and promotion	10,021	54,836	64,857	44,619	109,476
Telephone	71,382	6,880	78,262	7,740	86,002
Depreciation	-	-	-	79,598	79,598
Employee recruiting and retention	32,187	-	32,187	41,003	73,190
Insurance	-	-	-	66,533	66,533
Office and administrative	38,898	2,101	40,999	10,447	51,446
Other	-	-	-	48,123	48,123
Meals and entertainment	6,422	-	6,422	12,766	19,188
Repairs and maintenance	-	-	-	13,991	13,991
	<u>\$ 3,431,293</u>	<u>\$ 1,244,993</u>	<u>\$ 4,676,286</u>	<u>\$ 2,184,372</u>	<u>\$ 6,860,658</u>

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

**UNIVERSITY COMMUNITY HEALTH SERVICES, INC.**  
**D/B/A CONNECTUS HEALTH**  
**STATEMENTS OF CASH FLOWS**

*YEARS ENDED JUNE 30, 2021 AND 2020*

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
Changes in net assets	\$ 1,026,478	\$ (13,461)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	71,503	79,598
Gain on disposal of property and equipment	(800)	-
Changes in assets and liabilities:		
Patient accounts receivable, net	(209,036)	81,381
Contract service and other grants receivable	12,865	10,911
Prepaid expenses and other assets	(307)	17,598
Deposits	1,803	-
Accounts payable and accrued expenses	66,305	52,526
Accrued payroll and related benefits	46,896	13,737
Deferred revenue	(861,978)	892,004
Deferred rent	(817)	(1,400)
Other long-term liabilities	(2,917)	1,927
Net cash flows from operating activities	<u>149,995</u>	<u>1,134,821</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	<u>(338,313)</u>	<u>(40,430)</u>
Net cash flows from investing activities	<u>(338,313)</u>	<u>(40,430)</u>
<b>Cash flows from financing activities:</b>		
Payment of capital leases	<u>(34,082)</u>	<u>(42,416)</u>
Net cash flows from financing activities	<u>(34,082)</u>	<u>(42,416)</u>
Change in cash	(222,400)	1,051,975
Cash, beginning of year	<u>2,046,550</u>	<u>994,575</u>
Cash, end of year	<u>\$ 1,824,150</u>	<u>\$ 2,046,550</u>
<b>Supplemental disclosure on noncash financing and investing activities:</b>		
Assets acquired through capital lease	<u>\$ 137,906</u>	<u>\$ -</u>

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

**UNIVERSITY COMMUNITY HEALTH SERVICES, INC.**  
**D/B/A CONNECTUS HEALTH**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2021 AND 2020*

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**Note 1—Nature of operations**

University Community Health Services, Inc., d/b/a Connectus Health, (the “Organization”) operates community health centers located in Nashville, Metro, and Davidson County, Tennessee. The Organization provides a broad range of health services to a largely medically underserved population. In May 2017, the Organization rebranded as Connectus Health to better reflect its comprehensive mission and reach.

The Organization also has contracts with several area businesses to provide employee health clinics. The profits from these services are used to support the Organization’s main mission of providing health services to the medically underserved population.

The U.S. Department of Health and Human Services (the “DHHS”) provides substantial support to the Organization. The Organization is obligated under the terms of the DHHS grants to comply with specified conditions and program requirements set forth by the grantor. A major reduction of funds by this grantor could have a significant effect on future operations.

**Note 2—Summary of significant accounting policies**

*Basis of Presentation* – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of operations and changes in net assets as net assets released from restrictions.

*Use of Estimates* – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash* – For purposes of the statements of cash flows, the Organization considers all cash funds, cash bank accounts, and highly liquid debt instruments with an original maturity when purchased of three months or less to be cash.

*Liquidity* – Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash and liabilities are presented according to their maturity resulting in use of cash.

*Patient Accounts Receivable* – The accounts receivable balance represents the unpaid amounts billed to patients and third party payors. Contractual adjustments, discounts, and an allowance for doubtful accounts are recorded to report receivables for healthcare services at net realizable value. The Organization grants credit without collateral to its patients and does not accrue interest on any of its patient receivables.

**UNIVERSITY COMMUNITY HEALTH SERVICES, INC.**  
**D/B/A CONNECTUS HEALTH**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2021 AND 2020*

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**Note 2—Summary of significant accounting policies (continued)**

*Allowance for Doubtful Accounts* – The allowance for doubtful accounts is determined by management based on the Organization's historical losses, specific patient circumstances, and general economic conditions. Periodically, management reviews patient accounts receivable and records a provision for specific patients based on current circumstances and charges off the receivable against the allowance when attempts to collect the receivable have been unsuccessful.

*Contract Service and Grants Receivable* – Contract service and grants receivable consists of costs under contracts and grant agreements which were incurred prior to year-end for which reimbursement has not been received.

*Property and Equipment* – Property and equipment are stated at cost, or if donated to the Organization, at fair value on the date of acquisition. Additions and improvements over \$500 with an estimated useful life exceeding one year are capitalized; expenditures for routine maintenance are charged to operations. Depreciation is provided over the estimated useful lives of the various classes of assets on the straight-line method ranging from 3 to 15 years. Leasehold improvements are amortized on a straight-line basis over the estimated useful life of the improvements or the term of the lease, whichever is shorter. Property that exists under capital lease arrangements have been calculated at their respective net present value utilizing the lease term and associated interest rate and then are amortized over the lives of the respective lessees or the estimated useful lives of the assets, whichever is shorter.

Gifts of long-lived assets such as land, buildings, and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets are to be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

*Net Patient Service Fees Revenue* – The Organization has agreements with third party payors that provide for payments to the Organization in amounts different from its established rates. Payment arrangements include prospectively determined rates per encounter, reimbursed costs, discounted charges, and per diem payments. Net patient service fees revenue is reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors. Provision for estimated third party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in the year of settlement and included in net patient service fees in the statements of operations and changes in net assets. The Organization provides care to certain patients under Medicaid and Medicare payment arrangements.

Laws and regulations governing the Medicaid and Medicare programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action. Self-pay revenue is recorded at published charges with charitable allowances based on a sliding-fee scale deducted to arrive at net self-pay revenue.

*Sliding Fees* – The Organization provides care to patients who meet certain financial criteria under its sliding fees policy at amounts less than its established rates similar to a charity care policy. Because the Organization does not pursue collection of charges discounted under its sliding fees policy, they are not reported as revenue.

**UNIVERSITY COMMUNITY HEALTH SERVICES, INC.**  
**D/B/A CONNECTUS HEALTH**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2021 AND 2020*

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**Note 2—Summary of significant accounting policies (continued)**

*Grant Revenue* – Grants are recognized as revenue when earned. Expense-driven grants are recognized as revenue when the qualifying expenses have been incurred and all other grant requirements have been met. These grants and contracts require the Organization to provide certain healthcare services during specified periods. If such services are not provided, the governmental entities are not obligated to expend the funds allocated under the grants.

*Contributions* – Contributions are recognized when received as contributions without restriction if specified for the current period and there are no donor-imposed restrictions. Contributions specified for future periods or with donor-imposed restrictions are recognized in the period received as contributions with restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions are satisfied in the year in which the contributions are recognized.

*In-Kind Contributions* – In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind contributions as both revenue and expense for the programs or activities benefited. For the years ended June 30, 2021 and 2020, in-kind contributions totaled \$78,188 and \$80,908, respectively. In-kind donations in 2021 and 2020 relate to donated lab fees and facility space.

Contributions of donated services are reported as revenue and expenses at fair value if such services create or enhance nonfinancial assets, or require special skills and are provided by individuals possessing such special skills and would typically need to be purchased by the Organization if they had not been donated.

*Deferred Revenue* – Deferred revenue consists of funds received but not yet earned. Deferred revenue at June 30, 2021 and 2020 consists of Paycheck Protection Funds (see Note 10) and COVID relief funding not yet expended as of year-end.

*Income Taxes* – The Organization is exempt from income taxes on income from related activities under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes.

*Allocation of Functional Expenses* – Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Expenses that were allocated consist primarily of salary and related expenses which have been allocated based on time incurred and spent.

*Subsequent Events* – The Organization has evaluated subsequent events through February 25, 2022, when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

**UNIVERSITY COMMUNITY HEALTH SERVICES, INC.**  
**D/B/A CONNECTUS HEALTH**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2021 AND 2020*

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**Note 3—Summary of recent accounting pronouncements**

*Adoption of New Accounting Pronouncement* – In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in *Revenue Recognition (Topic 605)* and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Subsequent to ASU 2014-09, FASB issued several related ASUs (collectively “ASC 606”). The implementation of this new standard had no significant impact on the Organization’s financial statements.

*Patient Services* – A significant portion of the Organization’s revenue is derived from providing services to patients. Due to the nature of the services being provided, there are no variable considerations and only one performance obligation. Such revenue is conditioned upon meeting a certain performance obligation, and amounts received are recognized as revenue once the requirement has been met. Once the patient service is provided, the performance obligation is considered to have been met. Each service has a defined purchase price, and the transactions are considered to be contracts with patients/insurance providers as they have commercial substance through the transaction of cash payment in return for the services performed. The Organization earned revenue from providing services to patients with customers totaling \$1,951,381 and \$1,971,485 in the years ended June 30, 2021 and 2020, respectively.

*Disaggregation of Revenue* – See the Statements of Activities for the years ended June 30, 2021 and 2020, as well as Note 13 and 14.

*Accounting Policies for Future Pronouncement* – In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the fiscal year ending June 30, 2023. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

**Note 4—Liquidity and availability**

The main mission of the Organization is to provide a broad range of health services to a largely medically underserved population. The Organization considers all normal operating expenses incurred to support this mission to be general expenditures. Expenses incurred to support certain donor-specified purposes, using donor-restricted funds, are not considered to be general expenditures.

**UNIVERSITY COMMUNITY HEALTH SERVICES, INC.**  
**D/B/A CONNECTUS HEALTH**  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

**Note 4—Liquidity and availability (continued)**

The table below represents financial assets available to meet cash needs for general expenditures within the next year include:

	<b>2021</b>	<b>2020</b>
Cash	\$ 1,824,150	\$ 2,046,550
Patient accounts receivable, net	596,860	387,824
Contract services and other grants receivable	293,548	306,413
Financial assets	2,714,558	2,740,787
Less amounts not available to be used for general expenditures within one year:		
Net assets restricted for specific programs	-	(50,599)
Total financial assets available to meet general expenditures within one year	\$ 2,714,558	\$ 2,690,188

The Organization is substantially supported by federal grants. As part of the Organization's liquidity management, it structures financial assets to be available for general expenditures, liabilities, and other obligations as they come due. The Organization maintains a line of credit with a financial institution with a credit limit of \$250,000 as of June 30, 2021, which can be drawn upon if needed to support general expenditures (see Note 11).

**Note 5—Credit risk and other concentrations**

The Organization generally maintains cash on deposit at banks in excess of federally insured amounts. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash. At June 30, 2021 and 2020, the Organization had bank balances of approximately \$1,355,000 and \$1,542,000 in excess of these limits.

**Note 6—Patient accounts receivable, net**

Patient accounts receivable, net, consists of the following at June 30:

	<b>2021</b>	<b>2020</b>
Medicare	\$ 17,603	\$ 30,575
Medicaid Managed Care wraparound	318,597	127,874
TennCare Managed Care plans	79,990	38,454
TennCare Department of Health - Essential Access Pool	67,760	27,679
Commercial	68,262	61,902
Self-pay	851,221	833,671
	1,403,433	1,120,155
Less allowance for doubtful accounts	(806,573)	(732,331)
	\$ 596,860	\$ 387,824



**UNIVERSITY COMMUNITY HEALTH SERVICES, INC.**  
**D/B/A CONNECTUS HEALTH**  
NOTES TO THE FINANCIAL STATEMENTS

*JUNE 30, 2021 AND 2020*

**Note 7—Sliding fees**

The Organization maintains records to identify and monitor the level of sliding fees it provides. These records include the amount of gross charges discounted for services and supplies furnished under its sliding fee policy, the estimated cost of these services and supplies, and equivalent service statistics.

The Organization's management estimates its cost of care provided under its sliding fees policy utilizing a calculated ratio of cost to gross charges multiplied by the Organization's gross charges discounted. The Organization's gross charges discounted include only services provided to patients who are unable to pay and qualify under the Organization's sliding fees policy. To the extent the Organization receives reimbursement through the various governmental assistance programs in which it participates to subsidize its care of indigent patients, the Organization does not include these patients' gross charges in its cost of care provided under its sliding fees policy.

The following information measures the level of charity care provided under the sliding fee policy during the years ending June 30:

	<b>2021</b>	<b>2020</b>
Gross charges discounted, at established rates	\$ 1,225,044	\$ 1,753,451
Estimated costs and expenses incurred to provide sliding fee discounts included in the statement of activities	\$ 1,114,843	\$ 1,122,469
Equivalent percentage of patients receiving sliding fees to all patients served	35%	41%

**Note 8—Contract services and other grants receivable**

Contract services and other grants receivable consists of the following at June 30:

	<b>2021</b>	<b>2020</b>
Employer Health	\$ 290,300	\$ 259,593
Other	3,248	46,820
	<u>\$ 293,548</u>	<u>\$ 306,413</u>

**UNIVERSITY COMMUNITY HEALTH SERVICES, INC.**  
**D/B/A CONNECTUS HEALTH**  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

**Note 9—Property and equipment**

The Organization's property and equipment and the related accumulated depreciation at June 30 are as follows:

	<b>2021</b>	<b>2020</b>
Furniture and fixtures	\$ 134,650	\$ 134,650
Leasehold improvements	1,416,221	1,409,043
Office and medical equipment	296,554	229,141
Computer equipment	627,073	442,333
Mobile van	235,902	-
	<u>2,710,400</u>	<u>2,215,167</u>
Accumulated depreciation	<u>(2,196,030)</u>	<u>(2,124,527)</u>
	<u><u>\$ 514,370</u></u>	<u><u>\$ 90,640</u></u>

Depreciation expense related to fixed assets totaled \$71,503 and \$79,598 for the years ending June 30, 2021 and 2020, respectively. In the event the DHHS grants are terminated, the DHHS reserves the right to request all property and equipment purchased with grant funds be returned to the DHHS from the Organization.

**Note 10—Paycheck Protection Program loan**

The Organization received a Paycheck Protection Program ("PPP") loan in the amount of \$764,500. The PPP loan is granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). PPP loans are considered conditional contributions under Accounting Standards Codification 958-605, *Not-for-Profit Entities – Revenue Recognition*. The loan must be repaid if the Organization does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage, interest, rent, and utilities. The Organization received SBA forgiveness of the PPP loan in June 2021. Management recognized the full loan balance and accrued interest of \$773,129 of Paycheck Protection Program in the accompanying statements of operations and changes in net assets based on eligible costs incurred prior to June 30, 2021.

**Note 11—Line of credit**

The Organization has a \$250,000 revolving line of credit with Truist Bank. Interest on the revolving line of credit is payable monthly at 3.0% above the one-month LIBOR rate, or 5.4%, at June 30, 2021. The revolving line of credit is due on demand, with no maturity date. There were no outstanding borrowings on the revolving line of credit at June 30, 2021 and 2020. The revolving line of credit is collateralized by substantially all of the Organization's assets.

**UNIVERSITY COMMUNITY HEALTH SERVICES, INC.**  
**D/B/A CONNECTUS HEALTH**  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

**Note 12—Capital lease obligations**

The Organization has entered into capital lease agreements to finance the acquisition of certain assets. The Organization's obligations under capital leases at June 30 are summarized as follows:

	<b>2021</b>	<b>2020</b>
Minimum lease payments payable	\$ 153,682	\$ 17,181
Less portion representing interest	(14,544)	(81)
Capital lease obligations	139,138	17,100
Less current portion	(29,131)	(17,100)
Long-term portion	<u>\$ 110,007</u>	<u>\$ -</u>

**Note 13—Net patient service revenue**

For the years ended June 30, 2021 and 2020, patient service revenue consists of the following:

	2021			2020
	Gross Charges	Contractual Adjustments	Net Revenue	Net Revenue
Medicare	\$ 417,114	\$ 280,468	\$ 136,646	\$ 121,494
TennCare Managed Care plans	2,495,447	1,785,979	709,468	301,628
Commercial	935,470	514,882	420,588	477,986
Behavioral health	147,556	100,609	46,947	14,988
Self-pay	1,197,137	1,236,034	(38,897)	383,660
	<u>\$ 5,192,724</u>	<u>\$ 3,917,972</u>	1,274,752	1,299,756
Medicaid Managed Care wraparound			468,664	527,760
Tennessee Department of Health Essential Access Pool			207,965	143,969
			\$ 1,951,381	\$ 1,971,485

The Organization has agreements with third party payors which provide for reimbursement to the Organization at amounts different from its established rates. Contractual adjustments under third party reimbursement programs represent the difference between the Organization's billings at list price and the amounts reimbursed by Medicare, Medicaid, and certain other third party payors, and any differences between estimated third party reimbursement settlements for prior years and subsequent final settlements. A summary of the basis of reimbursement with major third party payors follows:

*Medicare* – The Organization is paid for patient care services rendered to Medicare program beneficiaries primarily under contractual agreements with third party Medicare Advantage plans.

*TennCare Medicaid Managed Care, Other Third Party Payors, and Self-Pay* – TennCare Medicaid provides additional wraparound reimbursement according to a cost-based reimbursement system, with a cap for federally qualified health centers. The Organization has also entered into reimbursement agreements with certain non-Medicaid commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes discounts from established charges and prospectively determined per diem rates.

**UNIVERSITY COMMUNITY HEALTH SERVICES, INC.**  
**D/B/A CONNECTUS HEALTH**  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

**Note 13—Net patient service revenue (continued)**

There is at least a reasonable possibility that recorded Medicare and Medicaid estimates will change by a material amount in the near term. The Organization believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

**Note 14—Contract services and other grants revenue**

Contract services and other grants revenue consists of the following at June 30:

	<b>2021</b>	<b>2020</b>
Employer Health	\$ 1,469,229	\$ 1,575,794
Per Member Per Month PCMP	147,458	102,288
CHIP Cover Kids	127,751	226,143
Other	63,439	7,460
American Cancer Society - NFL grant	25,000	25,000
Quality Incentive	3,372	98,054
Covid relief	-	50,000
	<u>\$ 1,836,249</u>	<u>\$ 2,084,739</u>

**Note 15—Retirement plan**

The Organization has a defined contribution retirement plan covering eligible employees with one year of continuous service. This plan includes provisions for employee and matching employer contributions. Participant accounts under this plan are immediately 100% vested. Retirement plan expense amounted to \$141,324 and \$70,366 for the years ended June 30, 2021 and 2020, respectively, and are included in salaries, wages, and benefits in the accompanying statements of operations and changes in net assets.

**Note 16—Commitments and contingencies**

*Medical Malpractice* – The Organization maintains its medical malpractice coverage under the Federal Tort Claims Act (the “FTCA”). The FTCA provides malpractice coverage to eligible U.S. Public Health Service-supported programs and applies to the Organization and its employees while providing services within the scope of employment included under grant-related activities. The Attorney General, through the U.S. Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage. The Organization’s FTCA coverage has been approved through December 31, 2021.

*Healthcare Industry* – Management continues to implement policies, procedures, and compliance overview organizational structure to enforce and monitor compliance with the Health Insurance Portability and Accountability Act of 1996 and other government statutes and regulations. The Organization’s compliance with such laws and regulations is subject to future government review and interpretations, as well as regulatory actions which are unknown or unasserted at this time.

**UNIVERSITY COMMUNITY HEALTH SERVICES, INC.**  
**D/B/A CONNECTUS HEALTH**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2021 AND 2020*

**Note 16—Commitments and contingencies (continued)**

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, Medicare, TennCare, fraud, and abuse. Recently, government activity has increased with respect to investigations and/or allegations concerning possible violations of fraud and abuse statutes and/or regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties, as well as repayments for patient services previously billed. Management believes the Organization is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

*Healthcare Reform* – In March 2010, Congress adopted comprehensive healthcare insurance legislation, the Patient Care Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the “Health Care Reform Legislation”). The Health Care Reform Legislation, among other matters, is designed to expand access to healthcare coverage to substantially all citizens through a combination of public program expansion and private industry health insurance. Provisions of the Health Care Reform Legislation become effective at various dates over the next several years and a number of additional steps are required to implement these requirements. Due to the complexity of the Health Care Reform Legislation, reconciliation and implementation of the legislation continues to be under consideration by lawmakers, and it is not certain as to what changes may be made in the future regarding healthcare policies. Changes to existing Medicaid coverage and payments are also expected to occur as a result of this legislation which may impact the TennCare program. While the full impact of the Health Care Reform Legislation is not yet fully known, changes to policies regarding reimbursement, universal health insurance, and managed competition may materially impact the Organization’s operations.

*Operating Leases* – The Organization operates out of two clinic facilities. One facility is donated and recorded as in-kind. The other facility is operated under a cancelable operating lease which expires in July 2021. The Organization also has various equipment leases, which terminate at various times through March 2021. Rent expense totaled \$117,859 and \$111,639 for the years ended June 30, 2021 and 2020, respectively. One of the leases contains escalating payments that have been recorded on a straight-line basis in accordance with accounting standards for leases, resulting in a deferred rent balance of \$350 and \$1,167 at June 30, 2021 and 2020, respectively.

Approximate future minimum lease and commitment payments in excess of one year consists of the following at June 30, 2021:

**Years Ending June 30,**

2022	\$ 176,639
2023	115,178
2024	114,393
2025	119,648
2026	51,461
	<u>\$ 577,319</u>

**UNIVERSITY COMMUNITY HEALTH SERVICES, INC.**  
**D/B/A CONNECTUS HEALTH**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2021 AND 2020*

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**Note 17—Net assets with donor restrictions**

Net assets with donor restrictions consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
American Cancer Society - NFL Grant	\$ -	\$ 50,599

**Note 18—Uncertainty**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant volatility in the financial markets. The coronavirus outbreak and government responses are creating disruption to global supply chains and adversely impacting many industries. The outbreak has caused a material, adverse impact on the economic and market conditions. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material, adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Organization, its performance, and its financial results.

## **SUPPLEMENTARY INFORMATION**

**UNIVERSITY COMMUNITY HEALTH SERVICES, INC.**  
**D/B/A CONNECTUS HEALTH**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

*YEAR ENDED JUNE 30, 2021*

<b>Grant Description</b>	<b>Assistance Listing Number</b>	<b>Grant Number</b>	<b>Expenditures</b>
<b>Federal Awards:</b>			
U.S. Department of Health and Human Services:			
Health Center Cluster:			
Health Center Program	93.224	H80CS08767	\$ 1,357,461
Health Center Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding	93.224	H8DCS36025	120,126
FY 2020 Coronavirus Supplemental Funding for Health Centers	93.224	H8CCS35306	421,361
American Rescue Plan Act Funding for Health Centers	93.224	H8FCS41314	289,006
Total for CFDA No 93.224			2,187,954
FY 2020 Expanding Capacity for Coronavirus Testing	93.527	H8ECS38553	212,918
Affordable Care Act			
Grants under the Health Center Program	93.527	H80CS08767	699,298
Total for CFDA No 93.527			912,216
Total Health Center Cluster			3,100,170
Total Federal Awards			3,100,170
<b>State Awards:</b>			
Tennessee Department of Health:			
Health Care Safety Net Primary Care Services	N/A	41703	207,965
Total State Awards			207,965
Total Federal and State Awards			\$ 3,308,135



# UNIVERSITY COMMUNITY HEALTH SERVICES, INC.

## D/B/A CONNECTUS HEALTH

### NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

JUNE 30, 2021

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#### **Note 1—Basis of presentation**

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state grant activity of the Organization for the year ended June 30, 2021. 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") as codified by DHHS at 45 CFR Part 75 and the state of Tennessee. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, operations and changes in net assets, or cash flows of the Organization.

#### **Note 2—Summary of significant accounting policies**

Expenditures reported on this 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.

The Organization did not expend any federal or state awards during fiscal year 2021 in the form of noncash assistance.

#### **Note 3—Indirect cost rate**

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

#### **Note 4—Payments to subrecipients**

The Organization did not passthrough any federal awards to subrecipients.

**Report of Independent Auditor 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  
University Community Health Services, Inc.  
d/b/a Connectus Health  
Nashville, Tennessee

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 University Community Health Services, Inc., d/b/a Connectus Health, (the "Organization"), which comprise the statement of financial position as of June 30, 2021, and the related statements of operations 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 February 25, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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.



Nashville, Tennessee  
February 25, 2022

## **Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance**

To the Board of Directors  
University Community Health Services, Inc.  
d/b/a Connectus Health  
Nashville, Tennessee

### **Report on Compliance for Each Major Federal Program**

We have audited University Community Health Services, Inc.'s, d/b/a Connectus Health (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2021. The Organization's major federal program is 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 the Organization's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization'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 the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Organization 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 program for the year ended June 30, 2021.

## OTHER MATTERS

### Report on Internal Control over Compliance

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

The Organization's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Nashville, Tennessee  
February 25, 2022

**UNIVERSITY COMMUNITY HEALTH SERVICES, INC.**  
**(D/B/A CONNECTUS HEALTH)**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2021

**Section I—Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness identified?

\_\_\_ yes X no

Significant deficiencies identified

\_\_\_ yes X none reported

Noncompliance material to financial statements noted?

\_\_\_ yes X no

**Federal Awards**

Internal control over major programs:

Material weakness identified?

X yes \_\_\_ no

Significant deficiencies identified

\_\_\_ yes X none reported

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

Unmodified

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

\_\_\_ yes X no

Identification of major programs for the Organization for the fiscal year ended June 30, 2021 are:

**Assistance Listing Number**

93.224 and 93.527

**Program Name**

Health Center Cluster

Dollar threshold used to distinguish between Type A and  
Type B Programs

\$ 750,000

Auditee qualified as low-risk auditee?

X yes \_\_\_ no

**Section II—Financial Statement Findings**

None noted.

**UNIVERSITY COMMUNITY HEALTH SERVICES, INC.**  
**(D/B/A CONNECTUS HEALTH)**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

*YEAR ENDED JUNE 30, 2021*

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**Section III—Federal Audit Findings and Questioned Costs**

**Finding 2021-001 – Material Weakness and Nonmaterial Noncompliance in Internal Control over retention of supporting documentation relating to sliding fee test.**

*Condition:* During the audit, forty sliding fee payments were selected for testing, however insufficient supporting evidence was provided for twelve sample items which did not substantiate patient household income and number of residents who resided within the household.

*Criteria:* The Organization is responsible for charging a sliding fee based on household income and number of residents that reside within the patient's household.

*Cause:* The Organization did not have fully operating controls in place to ensure required documentation was received and/or maintained for some patients who received services.

*Effect:* The audit team was unable to verify or validate that participants were appropriately charged due to the inability to review sufficient supporting documentation. Therefore, the audit team is unable to conclude that the Organization is compliant with the requirement to charge patients the appropriate sliding fee.

*Recommendation:* We recommend that controls and procedures be implemented to ensure that all supporting documentation substantiating all patient household income and the number of residents who reside within their household is obtained and verified before services are provided. It should then be retained as supporting documentation that this compliance test has been completed and validated.

*Management's Response:* Management agrees with the finding and is in the process of developing and implementing a comprehensive plan to ensure that appropriate documentation regarding household income and number of residents who reside within the individual's household is obtained and retained prior to any services being provided to a patient.

**Section IV—Prior Year Findings**

None noted.

## **CORRECTIVE ACTION PLAN**

U.S. Department of Health and Human Services

University Community Health Services, Inc., d/b/a Connectus Health, ("the Organization") respectfully submits the following corrective action plan for the report dated REPORT DATE.

Name and address of independent public accounting firm:

Cherry Bekaert, LLP  
222 Second Avenue South, Suite 1240  
Nashville, TN 37201

Audit period: July 1, 2020-June 30, 2021

The findings from the June 30, 2021, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

### **Federal Award Findings and Questioned Costs - Major Federal Awards**

#### **Finding 2021-001 Material Weakness and Nonmaterial Noncompliance in Internal Control over retention of supporting documentation relating to sliding fee test.**

**2021-001 Recommendation:** The Organization should ensure that controls and procedures are implemented to ensure that all supporting documentation substantiating all patient household income and the number of residents who reside within their household is obtained and verified before services are provided. It should then be retained as supporting documentation that this compliance test has been completed and validated.

**Action Taken:** We concur with the recommendation and are in the process of developing and implementing a comprehensive plan to ensure that appropriate documentation regarding household income and number of residents who reside within the individual's household is obtained and retained prior to any services being provided to a patient.

Date of Completion: February 22, 2022

If the U.S. Department of Health and Human Services has questions regarding this plan, please call Valerie Butt, Chief Financial Officer, at 757-618-0476.

Sincerely,

*Valerie Butt*

Valerie Butt  
Chief Financial Officer