

ChesPenn Health Services, Inc.

Financial Statements and
Supplementary Information

June 30, 2021 and 2020

ChesPenn Health Services, Inc.

Table of Contents
June 30, 2021 and 2020

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Balance Sheets	3
Statements of Operations	4
Statements of Changes in Net Assets	5
Statements of Cash Flows	6
Notes to Financial Statements	7
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	21
Independent Auditors' Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	23
Supplementary Information	
Schedule of Expenditures of Federal Awards	25
Notes to Schedule of Expenditures of Federal Awards	26
Schedule of Findings and Questioned Costs	27
Summary Schedule of Prior Year Audit Findings	30

Independent Auditors' Report

To the Board of Directors of
ChesPenn Health Services, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of ChesPenn Health Services, Inc., which comprise the balance sheets as of June 30, 2021 and 2020, and the related statements of operations, changes in net assets 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.

Auditors' 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 Controller 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 ChesPenn Health Services, Inc. as of June 30, 2021 and 2020, and the results of its operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2022, on our consideration of ChesPenn Health Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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* in considering ChesPenn Health Services, Inc.'s internal control over financial reporting and compliance.



Iselin, New Jersey
March 31, 2022

ChesPenn Health Services, Inc.

Balance Sheets

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>		<u>2021</u>	<u>2020</u>
Assets			Liabilities and Net Assets		
Current Assets			Current Liabilities		
Cash and cash equivalents	\$ 4,113,546	\$ 3,688,514	Current maturities of long-term debt	\$ 15,593	\$ 14,705
Receivables:			Paycheck Protection Program loan	-	373,606
Patients	423,521	458,404	Accounts payable, trade	459,668	478,840
Grants	67,992	198,430	Construction payable	177,487	-
Prepaid expenses and other current assets	<u>62,579</u>	<u>96,977</u>	Accrued expenses	854,934	896,037
Total current assets	4,667,638	4,442,325	Deferred revenue	359,910	83,333
			Estimated third-party payor settlements	<u>172,659</u>	<u>209,541</u>
Property and Equipment, Net	1,207,027	1,123,885	Total current liabilities	2,040,251	2,056,062
Assets Whose Use is Limited	2,426,758	2,346,490	Long-Term Debt	450,292	465,886
			Paycheck Protection Program Loan	<u>-</u>	<u>438,194</u>
			Total liabilities	2,490,543	2,960,142
			Net Assets		
			Without donor restriction	<u>5,810,880</u>	<u>4,952,558</u>
Total assets	<u>\$ 8,301,423</u>	<u>\$ 7,912,700</u>	Total liabilities and net assets	<u>\$ 8,301,423</u>	<u>\$ 7,912,700</u>

See notes to financial statements

ChesPenn Health Services, Inc.

Statements of Operations

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenues and Other Support		
Net patient service revenues	\$ 7,017,939	\$ 6,925,343
Grant revenue	4,091,159	3,483,715
Paycheck Protection Program loan forgiveness revenues	811,800	-
Premium revenues	739,063	780,980
Net assets released from restrictions used for operations	494,575	416,129
Other revenues	<u>367,263</u>	<u>332,263</u>
Total revenues and other support	<u>13,521,799</u>	<u>11,938,430</u>
Expenses		
Salaries and wages	5,699,043	5,919,053
Supplies and expenses	5,209,440	4,945,900
Employee benefits	1,011,281	1,169,918
Depreciation	94,345	117,340
Leases	680,636	458,923
Insurance	<u>50,666</u>	<u>52,317</u>
Total expenses	<u>12,745,411</u>	<u>12,663,451</u>
Operating income (loss)	776,388	(725,021)
Investment Income	<u>81,934</u>	<u>100,288</u>
Revenues in excess of (less than) expenses and increase (decrease) in net assets without donor restrictions	<u>\$ 858,322</u>	<u>\$ (624,733)</u>

See notes to financial statements

ChesPenn Health Services, Inc.

Statements of Changes in Net Assets

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Net Assets Without Donor Restrictions		
Revenues in excess of (less than) expenses and increase (decrease) in net assets without donor restrictions	<u>\$ 858,322</u>	<u>\$ (624,733)</u>
Net Assets With Donor Restrictions		
Contributions	494,575	416,129
Net assets released from restrictions for operations	<u>(494,575)</u>	<u>(416,129)</u>
Change in net assets with donor restrictions	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	858,322	(624,733)
Net Assets, Beginning	<u>4,952,558</u>	<u>5,577,291</u>
Net Assets, Ending	<u><u>\$ 5,810,880</u></u>	<u><u>\$ 4,952,558</u></u>

See notes to financial statements

ChesPenn Health Services, Inc.

Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 858,322	\$ (624,733)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	94,345	117,340
Net change in unrealized gains and losses on assets whose use is limited	(70,367)	(85,972)
Paycheck protection program loan forgiveness	(811,800)	-
Changes in assets and liabilities:		
Receivables	165,321	13,883
Estimated third-party payor settlements	(36,882)	(43,115)
Prepaid expenses and other current assets	34,398	(15,255)
Accounts payable	(19,172)	(10,304)
Accrued expenses	(41,103)	(130,337)
Deferred revenue	276,577	-
Net cash provided by (used in) operating activities	<u>449,639</u>	<u>(778,493)</u>
Cash Flows From Investing Activities		
Net (purchases) sales of assets whose use is limited	<u>(9,901)</u>	<u>6,190</u>
Net cash (used in) provided by investing activities	<u>(9,901)</u>	<u>6,190</u>
Cash Flows From Financing Activities		
Proceeds from issuance of long-term debt	-	811,800
Repayment of long-term debt	<u>(14,706)</u>	<u>(13,867)</u>
Net cash (used in) provided by financing activities	<u>(14,706)</u>	<u>797,933</u>
Net increase in cash and cash equivalents	425,032	25,630
Cash and Cash Equivalents, Beginning	<u>3,688,514</u>	<u>3,662,884</u>
Cash and Cash Equivalents, Ending	<u>\$ 4,113,546</u>	<u>\$ 3,688,514</u>
Supplemental Disclosure of Noncash Investing and Financing Activities		
Financing obligations incurred for equipment	<u>\$ 177,487</u>	<u>\$ -</u>
Paycheck protection program loan forgiveness	<u>\$ 811,800</u>	<u>\$ -</u>

See notes to financial statements

ChesPenn Health Services, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

ChesPenn Health Services, Inc. (the Corporation) is a not-for-profit organization which operates a comprehensive health service program. The Corporation is principally funded by grants from the United States Department of Health and Human Services (HHS). The Corporation operates one location offering medical, dental, pharmaceutical and behavioral health services in Chester, Pennsylvania, one location offering medical, dental, pharmaceutical and behavioral health services in Coatesville, Pennsylvania and one location offering medical and behavioral health services in Upper Darby, Pennsylvania.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 and Cash Equivalents

Cash and cash equivalents include investments in highly liquid financial instruments purchased with original maturities of three months or less, excluding assets whose use is limited.

Accounts Receivable

Accounts receivable, patients are reported at net realizable value based on the transaction price, which is determined based on the standard charges for services provided, reduced by contractual adjustments provided to third-party payors and implicit price concessions provided to patients, and do not bear interest. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenues in the period of the change.

Assets Whose Use Is Limited

Assets whose use is limited include designated assets set aside by the Corporation's Board of Directors to cover the replacement cost of specified capital assets and other program services.

Investment income is included in the determination of revenues in excess of (less than) expenses and increase (decrease) in net assets without donor restrictions unless the income or loss is restricted by donor or law and is reported net of investment expenses. Unrealized gains and losses on assets whose use is limited are also included in the determination of revenues in excess of (less than) expenses. Interest income is measured as earned on the accrual basis.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

ChesPenn Health Services, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

Net Assets

Net assets, revenues, 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 available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - net assets subject to donor imposed restrictions. Donor imposed restricted are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Performance Indicator

The statements of operations include a determination of revenues in excess of (less than) expenses and increase (decrease) in net assets without donor restrictions. Changes in net assets without donor restrictions which are excluded from revenues in excess of (less than) expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions, which by donor restriction, were to be used for the purposes of acquiring such assets).

Net Patient Service Revenues

Net patient service revenues are recognized at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors and others and includes variable consideration for retroactive revenues adjustments due to settlements of audits, reviews and investigations. Generally, the Corporation bills the patients and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Corporation. Revenue for performance obligations satisfied at a point in time are recognized when services are provided and the Corporation does not believe it is required to provide additional services to the patient.

The Corporation determines the transaction price based on standard charges for services provided, reduced by contractual adjustments to third-party payors. A sliding fee scale is offered to uninsured patients if they are eligible in accordance with the Corporation's policy. The Corporation determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Corporation determines its estimate of implicit price concessions based on its historical collections experience with this class of patients.

Charity Care

The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues. The Corporation provided charity care, based on the amount of costs incurred, of approximately \$1,238,000 in 2021 and \$1,421,000 in 2020.

ChesPenn Health Services, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Premium Revenues

The Corporation has agreements with various Health Maintenance Organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, the Corporation receives monthly capitation payments based on the number of each HMO's participants, regardless of performance obligations incurred by the Corporation. In addition, certain HMOs make fee-for-service payments to the Corporation for certain covered performance obligations based upon discounted fee schedules.

Deferred Revenues

Deferred revenues consist of grant funding received but not yet spent in accordance with the terms of the grant agreements.

Donor Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of operations as net assets released from restrictions.

Income Taxes

The Corporation is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on its exempt income under Section 501(a) of the IRC. The Corporation is also exempt from state and local income taxes under similar statutes. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Corporation accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2021 and 2020.

Subsequent Events

The Corporation evaluated subsequent events for recognition or disclosure through March 31, 2022, the date the financial statements were available to be issued.

Reclassification of Prior Year Presentation

Certain reclassifications have been made to the 2020 balances previously reported in order to conform to the 2021 presentation.

New Accounting Standards Adopted

Revenue From Contracts With Customers

In 2021, the Corporation adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue From Contracts With Customers (Topic 606)* using the full retrospective approach. ASU No. 2014-09 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition* and most industry specific guidance. The core principle under ASU No. 2014-09 is that revenues are recognized to depict the transfer of promised goods or services to customers (patients) in an amount that reflects the consideration at which the entity expects to be entitled in exchange for those goods or services. Additionally, ASU No. 2014-09 requires enhanced disclosures of revenue arrangements.

The Corporation applied the full retrospective approach to all contracts when adopting ASU No. 2014-09. The adoption of the standard did not have an impact on the recognition of net revenues for any periods prior to adoption. The Corporation determined that there was no impact on net assets as of July 1, 2019 and June 30, 2020 for the adoption of ASC 606. In addition, the Corporation determined there was no impact on increase in net assets for the adoption of ASC 606 in 2020 or 2021.

The most significant impact of adopting the new standard is within the statements of operations and changes in net assets. Certain patient activity where collection was uncertain, previously included as net patient service revenues and separately reported as the provision for bad debts, no longer meets the criteria for revenue recognition. Accordingly, net patient service revenues have been reduced by the amounts previously reported as the provision for bad debts and accordingly the provision for bad debts has been eliminated. Such patient activity, previously reported as the provision for bad debts in the amount of \$167,912 for the year ended June 30, 2020 is now classified as an implicit price concession.

New Accounting Standards Not Yet Adopted

Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842) (as amended)*. ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheets and disclosing key information about leasing arrangements. Under the provisions of ASU No. 2016-02, a lessee is required to recognize a right-to-use asset and lease liability, initially measured at the present value of the lease payments, in the balance sheets. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the Corporation's leasing activities. In June 2021, the FASB issued ASU No. 2020-05 deferring the implementation date. As a result, the Corporation will be required to retrospectively adopt the guidance in ASU No. 2016-02 for its fiscal year ending June 30, 2023. The Corporation has not yet determined the impact that ASU No. 2016-02 will have on its financial statements.

ChesPenn Health Services, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

2. Significant Group Concentrations of Credit Risk

The Corporation grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements primarily with Medicare, Medical Assistance, Blue Shield and various commercial insurance companies. The significant concentrations of accounts receivable for services to patients as of June 30 consist of the following:

	<u>2021</u>	<u>2020</u>
Medicaid managed care	61 %	64 %
Commercial	25	27
Medicare	9	5
Medicaid	5	4
Total	<u>100 %</u>	<u>100 %</u>

The Corporation maintains operating cash and cash equivalents with local financial institutions. Accounts in each financial institution are insured by the Federal Deposit Insurance Corporation to \$250,000.

3. Net Patient Service Revenues

The Corporation recognizes patient service revenues associated with services provided to patients who have Medicaid, Medicare, Third-Party Payor and Managed Care plans coverage on the basis of contractual rates for services rendered. For uninsured self-pay patients that do not qualify for charity care, the Corporation recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates if negotiated or provided by the Corporation's policy. Charity care services are computed using a sliding fee scale based on patient income and family size. On the basis of historical experience, a significant portion of the Corporation's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Corporation records implicit price concessions adjusting the transaction price to the realizable value related to uninsured patients in the period the services are provided.

Patient service revenues by primary payor, net of charitable and contractual allowances and discounts, consists of the following for the fiscal years ended June 30:

	<u>2021</u>	<u>2020</u>
Managed Medicaid	\$ 5,651,968	\$ 4,892,874
Medicare	521,778	794,916
Commercial	364,347	481,382
Medicaid	207,415	429,953
Self-Pay	272,431	326,218
Total patient service revenues	<u>\$ 7,017,939</u>	<u>\$ 6,925,343</u>

ChesPenn Health Services, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

4. Grant Revenue

The Corporation is principally funded by grants from HHS. HHS and other grant revenue for 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Community Health Centers, Section 330	\$ 3,189,630	\$ 2,894,578
Project Grants for Health Services to the Homeless	-	64,181
HIV Care Formula Grants	<u>53,502</u>	<u>55,961</u>
Total HHS grant revenue	3,243,132	3,014,720
Other	<u>848,027</u>	468,995
Total HHS and other grant revenue	<u>\$ 4,091,159</u>	<u>\$ 3,483,715</u>

Grants receivable at June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
PA Department of Health COVID Grant	\$ -	\$ 112,245
Other	<u>67,992</u>	<u>86,185</u>
Total grants receivable	<u>\$ 67,992</u>	<u>\$ 198,430</u>

COVID-19

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund to provide financial support for hospitals and other healthcare providers. During 2021 and 2020, the Corporation received \$307,573 and \$172,849, respectively, from the Provider Relief Fund. The Corporation received an additional \$218,300 from the Provider Relief Fund in December 2021.

The Corporation has incurred lost revenues and eligible expenses in accordance with the terms and conditions of the funding sources, and therefore has recognized, and included in grant revenue, \$307,573 and \$172,849 in 2021 and 2020, respectively.

Noncompliance with the terms and conditions of the funding source could result in repayment of some or all of the support, which can be subject to government review and interpretation. The Department of Health and Human Services (HHS) has indicated Provider Relief Fund payments are subject to future reporting and audit requirements. These matters could cause reversal or claw-back of amounts previously recognized; however, an estimate of the possible effects cannot be made as of the date these financial statements were issued. In addition, it's unknown whether there will be further developments in the regulatory guidance.

The CARES Act also provided for supplemental funding to FQHCs for one-time support for the detection, prevention, diagnosis and treatment of COVID-19, including maintaining or increasing health center capacity and staffing levels during a COVID-19 related public health emergency. This supplemental funding was awarded through the Pennsylvania Department of Health under 1 grant in 2021 totaling \$224,490, which was required to be expended by October 31, 2020. In 2020 three separate grant awards were provided through HRSA totaling \$1,265,240, which were required to be expended by April 30, 2021. As of June 30, 2021 and 2020, the Corporation had incurred eligible expenses of \$594,126 and \$308,273, respectively in accordance with the terms and conditions of these funding sources, which is included within grant revenue in the accompanying statement of operations.

ChesPenn Health Services, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

Federal and State Awards

The Corporation participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Corporation is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

5. Premium Revenues

The Corporation recognizes premium revenues associated with services provided to patients who have Medicaid, Medicare, Third-Party Payor and Managed Care plans coverage on the basis of contractual rates for services rendered. For uninsured self-pay patients that do not qualify for charity care, the Corporation recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates if negotiated or provided by the Corporation's policy. Charity care services are computed using a sliding fee scale based on patient income and family size. On the basis of historical experience, a significant portion of the Corporation's uninsured patients will be unable or unwilling to pay for the services provided, and price concessions are recorded to recognize premium revenues at their net realizable value.

Premium revenues, net of charitable and contractual allowances and discounts, consists of the following for the fiscal years ended June 30:

	<u>Commercial</u>	<u>Managed Medicaid</u>	<u>Total</u>
June 30, 2021	<u>\$ 109,879</u>	<u>\$ 629,184</u>	<u>\$ 739,063</u>
	<u>Commercial</u>	<u>Managed Medicaid</u>	<u>Total</u>
June 30, 2020	<u>\$ 115,146</u>	<u>\$ 665,834</u>	<u>\$ 780,980</u>

6. Assets Whose Use Is Limited

The composition of assets whose use is limited at June 30, 2021 and 2020 is set forth in the following table:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 283,345	\$ 422,388
Certificates of deposit	1,524,974	1,378,796
Equity mutual funds	225,490	161,127
Fixed income mutual funds	392,949	384,179
Total	<u>\$ 2,426,758</u>	<u>\$ 2,346,490</u>

ChesPenn Health Services, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Investment income consists of the following for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 11,567	\$ 13,474
Realized gains and losses on assets whose use is limited	3,721	842
Net change in unrealized gains and losses on assets whose use is limited	<u>66,646</u>	<u>85,972</u>
Total	<u>\$ 81,934</u>	<u>\$ 100,288</u>

7. Fair Value Measurements

The Corporation follows the provisions of authoritative guidance relating to fair value measurements. This guidance defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America and enhances disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that this guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Corporation for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets and other observable inputs.

Level 3 - Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

ChesPenn Health Services, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

The fair value of the Corporation's assets at June 30, 2021 and 2020, are as follows:

	2021			Total
	Level 1	Level 2	Level 3	
Reported at Fair Value				
Assets whose use is limited:				
Certificates of deposit	\$ -	\$ 1,524,974	\$ -	\$ 1,524,974
Equity mutual funds	225,490	-	-	225,490
Fixed income mutual funds	392,949	-	-	392,949
Total assets whose use is limited at fair value	\$ 618,439	\$ 1,524,974	\$ -	2,143,413
Cash and cash equivalents				283,345
Total assets whose use is limited				\$ 2,426,758
2020				
	Level 1	Level 2	Level 3	Total
Reported at Fair Value				
Assets whose use is limited:				
Certificates of deposit	\$ -	\$ 1,378,796	\$ -	\$ 1,378,796
Equity mutual funds	161,127	-	-	161,127
Fixed income mutual funds	384,179	-	-	384,179
Total assets whose use is limited at fair value	\$ 545,306	\$ 1,378,796	\$ -	1,924,102
Cash and cash equivalents				422,388
Total assets whose use is limited				\$ 2,346,490

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2021 and 2020.

Certificates of deposit include savings certificates with fixed maturity dates and interest rates with the carrying amounts approximating fair value due to the short term nature of the instruments.

Equity and fixed income mutual funds include investments that are valued at fair value based on quoted market prices in active markets.

ChesPenn Health Services, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

8. Property and Equipment

Property and equipment and accumulated depreciation at June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 100,838	\$ 100,838
Buildings	3,153,067	3,153,067
Leasehold improvements	349,794	349,794
Equipment	1,341,554	1,341,554
Vehicles	48,472	48,472
Construction in progress	177,487	-
Total	5,171,212	4,993,725
Less accumulated depreciation	3,964,185	3,869,840
Property and equipment, net	<u>\$ 1,207,027</u>	<u>\$ 1,123,885</u>

9. Long-Term Debt

Long-term debt at June 30, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Mortgage note payable to Reinvestment Fund, Inc., payable monthly in 47 equal installments of \$3,548 beginning February 2019 through December 2022 consisting of principal and interest bearing interest at a rate of 5.88%, with a final payment due in January 2023	\$ 465,885	\$ 480,591
Less current portion due within one year	15,593	14,705
Long-term portion	<u>\$ 450,292</u>	<u>\$ 465,886</u>

Mortgage Note Payable

On December 15, 2017, the Corporation entered into a Loan Agreement to finance the cost of renovations at one of its locations. The note payable is secured by a first lien on, and security interest in, substantially all real estate, improvements, fixtures and equipment at the property.

Future principal debt payments at June 30, 2021 are as follows:

2022	\$ 15,593
2023	450,292
Total	<u>\$ 465,885</u>

ChesPenn Health Services, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

10. Paycheck Protection Program Loan

In May 2020, the Corporation received a loan pursuant to the Paycheck Protection Program (PPP), administered by the U.S. Small Business Administration. The PPP was authorized in the CARES Act. The Corporation received the loan proceeds on May 5, 2020. The principal amount of the loan was \$811,800 and there are no collateral or guarantee requirements.

The Corporation received the loan forgiveness from the SBA on February 19, 2021 and recorded the \$811,800 in its statement of operations in 2021.

The SBA reserves the right to audit any PPP loan, regardless of size. The audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

11. Demand Note Payable, Bank

The Corporation has a line of credit agreement with National Penn Bank for \$300,000. Amounts advanced under this line of credit are due on demand and interest is charged at the Wall Street Journal prime rate plus 0.5 percent, with a minimum rate of 5 percent. There were no borrowings at June 30, 2021 and 2020, and this line of credit expires on February 27, 2022.

12. Accrued Expenses

Accrued expenses at June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Pension	\$ 77,501	\$ 81,217
Vacation pay	328,579	346,123
Salaries and wages	218,757	288,963
Rent	61,704	89,011
Pharmacy purchases and dispensing fees	29,331	26,277
Other	<u>139,062</u>	<u>64,446</u>
Total	<u>\$ 854,934</u>	<u>\$ 896,037</u>

13. Pension Plan

The Corporation has a 401(k) defined contribution profit sharing plan (the plan) in which employees contribute to the plan and an employer match is provided. The plan covers substantially all employees. Pension expense was \$237,017 in 2021 and \$278,872 in 2020.

14. Transactions With Crozer-Keystone Health System

The Corporation has an electronic health record (EHR) services agreement with Crozer-Keystone Health System (CKHS). Expenses related to the EHR services contract were \$23,550 in 2020. There were no expenses related to services with CKHS in 2021.

The Corporation entered into a professional services agreement with Health Access Network (HAN) during 2011. HAN is CKHS' physician network group. Under the terms of this agreement, HAN provides professional family medicine services at the Corporation's Upper Darby facility. Expenses related to this agreement totaled \$1,465,606 in 2021 and \$1,378,262 in 2020.

ChesPenn Health Services, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

15. Lease Commitments

The Corporation leases facilities and equipment under the terms of noncancellable leases.

The schedule of future minimum lease payments under operating leases as of June 30, 2021 is as follows:

Years ending June 30:		
2022	\$	585,169
2023		206,069
2024		3,162
2025		3,162
		<hr/>
Total	\$	<u>797,562</u>

Lease expense was \$680,636 in 2021 and \$458,923 in 2020.

16. Contingencies

Medical and Dental Malpractice Claims Coverage

Effective June 23, 1996, the Corporation was deemed to be an employee of the federal government under Section 224(h) of the Public Health Service (PHS) Act, 42, U.S.C. 233(h) as amended by the Federally Supported Health Centers Assistance Act of 1995. Section 224 of the PHS Act provides malpractice insurance coverage for all activities within the scope of its PHS grant under the Federal Tort Claims Act. This coverage is provided at no charge to the Corporation and there are no per occurrence or aggregate limits.

The Corporation believes it has adequate insurance coverage. To the best of the Corporation's knowledge, there are no asserted or unasserted claims which would exceed its insurance coverage.

Healthcare Industry

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

ChesPenn Health Services, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

17. Liquidity and Availability of Resources

Financial assets available for general expenditure within one year of the balance sheet date, consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 4,113,546	\$ 3,688,514
Accounts receivable, net	423,521	458,404
Assets whose use is limited	<u>2,426,758</u>	<u>2,346,490</u>
Total	<u>\$ 6,963,825</u>	<u>\$ 6,493,408</u>

The Corporation has certain assets that have been designated as to use by the Board of Directors. However, these assets could be used for general expenditure if necessary, and therefore, have been included in the table above.

As part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Corporation invests excess cash in investments.

Additionally, the Corporation maintains a \$300,000 line of credit, as discussed in more detail in Note 11. As of June 30, 2021, \$300,000 was available on the Corporation's line of credit.

18. Functional Expenses

The Corporation provides healthcare and related services to individuals within its geographic location. Expenses related to providing these services are as follows for the year ended June 30:

	<u>2021</u>		
	<u>Healthcare Services</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and wages	\$ 3,943,676	\$ 1,755,367	\$ 5,699,043
Supplies and expenses	1,001,310	472,267	1,473,577
Employee benefits	714,994	296,287	1,011,281
Depreciation	94,345	-	94,345
Leases	548,252	132,384	680,636
Insurance	25,498	25,168	50,666
Contractors	2,247,046	242,980	2,490,026
Data processing	7,326	572,928	580,254
Pharmacy	<u>665,583</u>	<u>-</u>	<u>665,583</u>
Total	<u>\$ 9,248,030</u>	<u>\$ 3,497,381</u>	<u>\$ 12,745,411</u>

ChesPenn Health Services, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

	2020		
	<u>Healthcare Services</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and wages	\$ 4,181,238	\$ 1,737,815	\$ 5,919,053
Supplies and expenses	1,145,963	390,952	1,536,915
Employee benefits	896,172	273,746	1,169,918
Depreciation	115,896	1,444	117,340
Leases	325,016	133,907	458,923
Insurance	25,555	26,762	52,317
Contractors	1,903,897	251,115	2,155,012
Data processing	10,444	524,093	534,537
Pharmacy	719,436	-	719,436
Total	<u>\$ 9,323,617</u>	<u>\$ 3,339,834</u>	<u>\$ 12,663,451</u>

**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards***

To the Board of Directors of
ChesPenn 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 ChesPenn Health Services, Inc. (the Corporation), which comprise the balance sheet as of June 30, 2021, and the related statements of operations, changes in net assets and cash flows for the year then ended, and have issued our report thereon dated Date of Report.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Iselin, New Jersey
March 31, 2022

**Independent Auditors' Report on Compliance
for the Major Federal Program and Report
on Internal Control Over Compliance
Required by the Uniform Guidance**

To the Board of Directors of
ChesPenn Health Services, Inc.

Report on Compliance for the Major Federal Program

We have audited ChesPenn Health Services, Inc.'s (the Corporation's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Corporation's major federal program for the year ended June 30, 2021. The Corporation's major federal program is identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Corporation'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 Corporation'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 Corporation's compliance.

Opinion on the Major Federal Program

In our opinion, ChesPenn 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 its major federal program for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on the major federal program is not modified with respect to this matter.

The Corporation's Response to the Finding

The Corporation's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Corporation'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 the Corporation 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 Corporation'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 our opinion on compliance for its 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 Corporation's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a 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 significant deficiency.

The Corporation's Response to the Finding

The Corporation's response to the internal control over the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and 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.



Iselin, New Jersey
March 31, 2022

ChesPenn Health Services, Inc.

 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number (AL)	Other Identifying Number	Grant Period	Award Amount	Federal Expenditures
United States Department of Health and Human Services					
Health Center Program Cluster:					
Direct programs:					
Consolidated Health Centers:					
Community Health Centers, Section 330	93.224	H80CS00738	02/01/18 - 01/31/19	\$ 2,502,413	\$ 9,940
Community Health Centers, Section 330	93.224	H80CS00738	02/01/19 - 01/31/20	2,609,236	195,916
Community Health Centers, Section 330	93.224	H80CS00738	02/01/20 - 01/31/21	2,356,123	1,374,405
Community Health Centers, Section 330	93.224	H80CS00738	02/01/21 - 01/31/22	2,780,611	1,127,489
Subtotal of AL number 93.224 [Non-Covid-19]					2,707,750
COVID-19 Community Health Centers, Section 330	93.224	H8DCS36635C3	04/01/20 - 03/31/21	837,275	454,819
COVID-19 Community Health Centers, Section 330	93.224	H8CCS35235CV	03/15/20 - 03/14/21	65,516	5,611
COVID-19 Community Health Centers, Section 330	93.224	H8ECS38873C4	05/01/20 - 04/30/21	362,449	21,451
Subtotal of AL number 93.224 [Covid-19]					481,881
Total Health Center Program Cluster					3,189,631
Provider Relief Fund and American Rescue Plan Rural Distribution [COVID-19]	93.498	HHS-06299836642	N/A	14,059	14,059
Provider Relief Fund and American Rescue Plan Rural Distribution [COVID-19]	93.498	HHS-69176949222	N/A	158,790	158,790
Total Provider Relief Fund and American Rescue Plan Rural Distribution					172,849
Passed-Through Pennsylvania Department of Health					
Epidemiology and Laboratory Capacity for Infectious Diseases [Covid-19]	93.323	NU50CK000527	08/01/20 - 08/31/22	432,721	213,084
Passed-Through Access Matters:					
Family Planning Services	93.217	1FPPHA212305	04/01/20 - 03/31/21	79,639	19,910
Family Planning Services	93.217	1FPPHA212305	04/01/20 - 03/31/21	106,727	86,817
Total passed-through Access Matters					106,727
Passed-Through Philadelphia Department of Public Health					
The AIDS Activities Coordination Office:					
HIV Emergency Relief Project Grants:					
Ryan White Part A	93.914	1320730-03	03/01/20 - 02/28/21	46,734	30,492
Ryan White Part A	93.914	1320730-03	03/01/21 - 02/28/22	46,734	15,408
Total passed-through The AIDS Activities Coordination Office					45,900
Total United States Department of Health and Human Services					3,728,191
United States Department of Treasury					
Passed-Through Pennsylvania Department of Health					
Coronavirus Relief Fund [Covid 19]	21.019	4100086515	03/01/20 - 10/31/20	224,490	224,490
Total United States Department of Treasury					224,490
Total expenditures of federal awards					\$ 3,952,681

See notes to schedule of expenditures of federal awards

ChesPenn Health Services, Inc.

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the grant activity of ChesPenn Health Services, Inc. (the Corporation) and is presented on an accrual basis of accounting. The information in the 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 the Corporation it is not intended to and does not present the financial position, changes in net assets or cash flows of the Corporation.

Federally funded amounts that are passed through state and local government agencies are reported as federal awards. Expenditure amounts are classified based on information provided by the pass-through agencies at the time of preparation of the Schedule.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Pass-through entity identifying numbers are presented when available.

3. Indirect Cost Rate

The Corporation has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance, even though it does not have a federally negotiated indirect cost rate.

ChesPenn Health Services, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? X yes _____ none reported

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

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

Identification of major federal programs:

<u>Federal Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
93.224	Health Center Program Cluster

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

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

ChesPenn Health Services, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

Corrective Action Not Started or in Progress

Finding 2021-001: Special Tests and Provisions - Significant Deficiency - Missing or Incomplete Patient Files and incorrect sliding fee scale billed

Federal Assistance Listing Number: 93.224 - Health Center Program Cluster [including Covid-19 funds]

Federal Agency: U.S. Department of Health and Human Services

Federal Award Numbers in Cluster: 93.224

Federal Award Years in Cluster: Various grant periods: February 1, 2018 - January 31, 2019; February 1, 2019 - January 31, 2020; February 1, 2020 - January 31, 2021; February 1, 2021 - January 31, 2022; April 1, 2020 - March 31, 2021, March 15, 2020 - March 14, 2021, May 1, 2020 - April 30, 2021

Criteria: Under the compliance supplement for the Health Center Program Cluster, health centers must prepare and apply a sliding fee discount schedule so that the amounts owed for health center services by eligible patients are adjusted based on the patient's ability to pay. To verify that this criteria the compliance supplement has the suggested audit procedures to review a sample of patients treated. The Corporation should maintain patient files to support the patient's eligibility and that the patient charges were appropriately adjusted based on income and family size by applying the Corporation's sliding fee discount schedule.

Questioned Cost: None

Condition: 2 out of 40 selected patients receiving healthcare under the sliding fee arrangement had either incomplete (missing signature) or missing patient files. There were also two selected patients which were billed the incorrect sliding fee scale, but no payment was received from the patient regardless of amount billed. This was not a statistically valid sample.

Context: We identified missing or incomplete patient files (for 2 out of 40 selected patients) as a result of review and request of patient files to support the patient's eligibility and that the patient charges were appropriately adjusted based on income and family size by applying the Corporation's sliding fee discount schedule. There were also two selected patients which were billed the incorrect sliding fee scale, but no payment was received from the patient regardless of amount billed.

Effect: There was not adequate support for 2 out of 40 patient files selected to allow us to ensure that the proper sliding fee discount was provided and 2 patients were billed the incorrect sliding fee scale, although no payment was received. This is a significant deficiency in internal controls of maintaining proper documentation and selecting the correct sliding fee scale to bill patients.

Cause: Controls that have historically been in place over maintaining patient files in the office were not followed in these instances due to COVID-19 epidemic and virtual visits, therefore we noticed some applications were either incomplete or unable to be located or amounts selected incorrectly due to human error.

Recommendation: We recommend the Corporation implement procedures to ensure that all patient files are maintained and completed fully and that employees are retrained to ensure proper sliding fee scale co-pays are appropriately billed.

ChesPenn Health Services, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Views of Responsible Officials and Planned and Corrective Actions: ChesPenn will continue to monitor the process of maintaining paper copies of all sliding fee scale patient files in each office as a back-up to potential electronic system failures for scanning patient's records. This will ensure that the one missing file issue that was noted in the FY '21 single audit will be corrected in subsequent audits. In addition, ChesPenn's Compliance Officer and Chief Operating Officer will conduct random monthly audits of sliding fee applications at all three locations. Results from the audits will be presented to the site Office Manager who will then conduct staff training sessions with the Patient Service Representatives. The audit and subsequent training will include a review of the following parameters for proper documentation and sliding fee scale determination:

Identification:

- o State issued driver's license
- o State Issued or State Recognized Identification card
- o School Identification
- o Government issued Passport
- o If married, a copy of spouse's identification as well

Social Security Cards:

- o For the applicant
- o For the spouse, if married
- o For all dependents 18 years of age or younger
- o For a college student, up to 23 years of age with college documentation
- o If a social security card is not available for a child, a birth certificate will be accepted

Paystubs:

- o One recent pay stub, if married a copy from spouse as well
- o Benefits statement from social security, if married from husband and wife
- o Awards letter for unemployment, if married from husband and wife
- o Self-employed - Last year's income tax statement
- o If paid in cash, a letter from the employer, on company letter head that states the hourly rate and hours worked
- o If the letter is handwritten, the letter must be notarized
- o When an individual has no source of income and has no insurance, they are required to fill out the information on the front and the back of the sliding fee scale form. Photo identification and social security cards are required

Responsible Party: Susan Harris-McGovern, Chief Operating Officer

Estimated Time of Completion: June 30, 2022

ChesPenn Health Services, Inc.

Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2021

Section IV - Summary Schedule of Prior Year Audit Findings

Finding 2020-001: Special Tests and Provisions - Significant Deficiency - Missing or Incomplete Patient Files

Federal Assistance Listing Number: 93.224 - Health Center Program Cluster

Federal Agency: U.S. Department of Health and Human Services

Federal Award Numbers in Cluster: 93.224

Federal Award Years in Cluster: Various grant periods: February 1, 2018 - January 31, 2019; February 1, 2019 - January 31, 2020; February 1, 2020 - January 31, 2021; March 1, 2020 - March 31, 2021; April 1, 2020 - March 31, 2021; and January 1, 2019 - December 31, 2019

Pass-Through Entity: A small portion (2 percent) is passed-through Philadelphia Health Management Corporation.

The discussion for Finding 2021-001 also applies to this Finding.