# Delaware Valley Community Health, Inc.

## Financial Statements
## (With Supplementary Information)

## Schedule of Expenditures of Federal Awards, Internal Control and Compliance and Independent Auditor's Reports

## December 31, 2020 and 2019

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**Delaware Valley Community Health, Inc.**

Index

# Independent Auditor's Report

To the Board of Directors
Delaware Valley Community Health, Inc.

## Report on the Financial Statements

We have audited the accompanying financial statements of Delaware Valley Community Health, Inc. (the "Center"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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 the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center'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 Center'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 the Center as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matters*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 October 15, 2021, on our consideration of the Center'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 Center'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 Center's internal control over financial reporting and compliance.

CohnReznick LLP

New York, New York
October 15, 2021

**Delaware Valley Community Health, Inc.**

**Statements of Financial Position**
**December 31, 2020 and 2019**

Assets

| | 2020 | 2019 |
|---|---|---|
| Current assets | | |
| Cash and cash equivalents | $ 3,132,411 | $ 3,268,340 |
| Investments | 19,124,826 | 13,817,849 |
| Patient services receivable, net | 907,019 | 1,377,407 |
| Contract services and other grants receivable | 203,140 | 189,656 |
| 340B pharmacy receivable | 875,211 | 153,392 |
| Inventory | 17,194 | 68,413 |
| Prepaid expenses and other receivable | 450,026 | 256,664 |
| Total current assets | 24,709,827 | 19,131,721 |
| Property and equipment, net | 13,939,173 | 12,835,671 |
| Investment in a limited liability corporation | 5,999 | 5,999 |
| Total | $ 38,654,999 | $ 31,973,391 |

Liabilities and Net Assets

| | | |
|---|---|---|
| Current liabilities | | |
| Accounts payable and accrued expenses | $ 2,193,173 | $ 2,529,681 |
| Accrued compensation | 4,409,062 | 4,236,726 |
| Medicaid advance | 742,699 | 742,699 |
| Total current liabilities | 7,344,934 | 7,509,106 |
| Refundable advance - PPP | 3,610,200 | - |
| Total liabilities | 10,955,134 | 7,509,106 |
| Commitments and contingencies | | |
| Net assets | | |
| Without donor restrictions | 27,699,865 | 24,464,285 |
| Total | $ 38,654,999 | $ 31,973,391 |

See Notes to Financial Statements.

**Delaware Valley Community Health, Inc.**

**Statements of Activities and Changes in Net Assets**
**Years Ended December 31, 2020 and 2019**

| | 2020 | 2019 |
|---|---|---|
| Revenue without donor restrictions | | |
| Net patient services revenue | $ 26,906,969 | $ 28,820,966 |
| DHHS grant revenue | 8,328,263 | 6,697,391 |
| Contract services and other grants | 2,358,215 | 1,121,792 |
| In-kind contributions - vaccines | 1,302,654 | 1,718,881 |
| 340B pharmacy | 5,325,417 | 2,573,269 |
| Investment income | 2,314,844 | 1,734,065 |
| Other revenue | 50,320 | 32,469 |
| Total revenue without donor restrictions | 46,586,682 | 42,698,833 |
| Operating expenses | | |
| Salaries and related benefits | 31,079,594 | 28,650,231 |
| Other than personnel services | 11,028,599 | 9,673,823 |
| Total operating expenses | 42,108,193 | 38,324,054 |
| Operating income prior to depreciation and amortization | 4,478,489 | 4,374,779 |
| Depreciation and amortization | 1,242,909 | 1,068,747 |
| Changes in net assets | 3,235,580 | 3,306,032 |
| Net assets, beginning | 24,464,285 | 21,158,253 |
| Net assets, end | $ 27,699,865 | $ 24,464,285 |

See Notes to Financial Statements.

## Delaware Valley Community Health, Inc.

## Statement of Functional Expenses
## Year Ended December 31, 2020

| | Program services | General and administrative | Fundraising | Total |
|---|---|---|---|---|
| Salaries and wages | $ 20,164,413 | $ 4,141,630 | $ - | $ 24,306,043 |
| Fringe benefits | 5,442,220 | 1,331,331 | - | 6,773,551 |
| Consultant and contractual services | 1,419,673 | 883,030 | - | 2,302,703 |
| Pharmaceuticals | 3,866,162 | - | - | 3,866,162 |
| In-kind contributions - vaccines | 1,302,654 | - | - | 1,302,654 |
| Consumable supplies | 1,090,985 | 93,127 | 159 | 1,184,271 |
| Laboratory and radiology fees | 351,107 | - | - | 351,107 |
| Occupancy | 626,026 | 37,007 | - | 663,033 |
| Professional fees | 6,000 | 155,678 | - | 161,678 |
| Insurance | 12,726 | 118,369 | - | 131,095 |
| Equipment rental and maintenance | 200,217 | 25,108 | 132 | 225,457 |
| Telephone | 104,033 | 38,887 | - | 142,920 |
| Travel, conferences and meetings | 25,050 | 64,721 | - | 89,771 |
| Dues and subscriptions | 48,461 | 51,419 | 135 | 100,015 |
| Printing, publications and postage | 25,338 | 1,917 | 2,641 | 29,896 |
| Training and seminars | 75,751 | 276,953 | - | 352,704 |
| Other | 115,504 | 9,629 | - | 125,133 |
| Subtotal | 34,876,320 | 7,228,806 | 3,067 | 42,108,193 |
| Depreciation and amortization | 1,017,585 | 225,324 | - | 1,242,909 |
| Total functional expenses | $ 35,893,905 | $ 7,454,130 | $ 3,067 | $ 43,351,102 |

See Notes to Financial Statements.

## Delaware Valley Community Health, Inc.

## Statement of Functional Expenses
## Year Ended December 31, 2019

| | Program services | General and administrative | Fundraising | Total |
|---|---|---|---|---|
| Salaries and wages | $ 18,437,969 | $ 3,849,843 | $ - | $ 22,287,812 |
| Fringe benefits | 5,201,644 | 1,160,775 | - | 6,362,419 |
| Consultant and contractual services | 1,296,351 | 857,883 | - | 2,154,234 |
| Pharmaceuticals | 1,768,266 | - | - | 1,768,266 |
| In-kind contributions | 1,718,881 | - | - | 1,718,881 |
| Consumable supplies | 1,359,796 | 64,324 | 26 | 1,424,146 |
| Laboratory and radiology fees | 460,538 | - | - | 460,538 |
| Occupancy | 607,082 | 46,422 | - | 653,504 |
| Professional fees | - | 98,077 | - | 98,077 |
| Insurance | 8,384 | 111,371 | - | 119,755 |
| Equipment rental and maintenance | 185,394 | 53,999 | - | 239,393 |
| Telephone | 79,656 | 36,101 | - | 115,757 |
| Travel, conferences and meetings | 85,856 | 136,169 | 42 | 222,067 |
| Dues and subscriptions | 33,739 | 44,724 | - | 78,463 |
| Printing, publications and postage | 34,623 | 5,908 | 7,848 | 48,379 |
| Training and seminars | 119,802 | 259,027 | - | 378,829 |
| Other | 56,545 | 136,989 | - | 193,534 |
| Subtotal | 31,454,526 | 6,861,612 | 7,916 | 38,324,054 |
| Depreciation and amortization | 887,060 | 181,687 | - | 1,068,747 |
| Total functional expenses | $ 32,341,586 | $ 7,043,299 | $ 7,916 | $ 39,392,801 |

See Notes to Financial Statements.

**Delaware Valley Community Health, Inc.**

**Statements of Cash Flows**
**Years Ended December 31, 2020 and 2019**

| | 2020 | 2019 |
|---|---|---|
| Cash flows from operating activities | | |
| Cash received from patient services | $ 32,702,774 | $ 30,982,165 |
| Cash received from grants | 8,328,263 | 6,697,391 |
| Cash received from contracted services | 2,344,731 | 1,315,047 |
| Other receipts from operations | (663,632) | 1,755,622 |
| Cash paid for operations | (10,204,596) | (6,869,982) |
| Cash paid to employees | (30,907,258) | (26,787,249) |
| Net cash provided by operating activities | 1,600,282 | 7,092,994 |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (2,346,411) | (1,261,842) |
| Purchase of investments | (8,300,000) | (6,006,407) |
| Proceeds from sale of investments | 5,300,000 | 1,466,088 |
| Net cash used in investing activities | (5,346,411) | (5,802,161) |
| Cash flows from financing activities | | |
| Proceed from refundable advance - PPP | 3,610,200 | - |
| Net cash provided by financing activities | 3,610,200 | - |
| Net (decrease) increase in cash and cash equivalents | (135,929) | 1,290,833 |
| Cash and cash equivalents, beginning of year | 3,268,340 | 1,977,507 |
| Cash and cash equivalents, end of year | $ 3,132,411 | $ 3,268,340 |

**Delaware Valley Community Health, Inc.**

**Statements of Cash Flows**
**Years Ended December 31, 2020 and 2019**

| | 2020 | 2019 |
|---|---|---|
| Reconciliation of change in operating activities | | |
| Changes in net assets | $ 3,235,580 | $ 3,306,032 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities | | |
| Depreciation and amortization | 1,242,909 | 1,068,747 |
| Net unrealized gain on investments | (2,306,977) | (10,912) |
| Changes in operating assets and liabilities | | |
| Patient services receivable | 470,388 | (412,070) |
| Contract services and other grants receivable | (13,484) | 193,255 |
| 340B pharmacy receivable | (721,819) | (58,361) |
| Prepaid expenses and other receivable | (193,362) | 15,034 |
| Inventory | 51,219 | (17,002) |
| Accounts payable and accrued expenses | (336,508) | 1,145,289 |
| Accrued compensation | 172,336 | 1,862,982 |
| Net cash provided by operating activities | $ 1,600,282 | $ 7,092,994 |
| Supplemental disclosure of noncash investing activities | | |
| Capital acquisition included in accounts payable and accrued expenses | $ 92,348 | $ 698,664 |

See Notes to Financial Statements.

## Note 1 - Organization and summary of significant accounting policies

### Organization

Delaware Valley Community Health, Inc. (the "Center") operates healthcare centers located in Philadelphia, Norristown and Sharon Hill, Pennsylvania. The Center provides a broad range of health services to a largely medically underserved population. The Center is incorporated as a not-for-profit corporation under the laws of the Commonwealth of Pennsylvania and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code").

The U.S. Department of Health and Human Services (the "DHHS") provides substantial support to the Center. The Center is obligated under the terms of the DHHS grants to comply with specified conditions and program requirements set forth by the grantor.

### Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

### Use of estimates

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

### Classification of net assets

The Center classifies its net assets into two categories, which are described as follows:

Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Center. Net assets without donor restrictions include resources that the governing board may use for any designated purpose and resources whose use is limited by agreement between the Center and an outside party other than a donor or grantor.

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

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets.

### Cash and cash equivalents

The Center maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed the limits of Federal Deposit Insurance Corporation ("FDIC") insurance coverage. The Center's bank deposits exceeded FDIC limits at various times during the year ended December 31, 2020. However, the Center has not experienced any losses in such accounts. The Center monitors its financial institutions and the concentration of credit risk on a regular basis and does not anticipate nonperformance by the financial institutions. All highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents.

### Investments

Investments are recorded in the accompanying financial statements at fair value, which have been determined using quoted market prices. Unrealized gains and losses are reported in investment income, net and are included in the change in net assets. Investment income and gains and losses are reported as increases or decreases in net assets without donor restrictions in the reporting period in which the income and gains and losses are recognized.

The Center's investment transactions are made based on its existing investment policy. The Center invests in a portfolio that contains a proprietary mutual fund and investment on a limited partnership with exposure to hedge funds. Such investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with such investments and the uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect the investment balances and the amounts reported in the financial statements.

### Fair value of financial instruments

The Center's material financial instruments at December 31, 2020 and 2019 for which disclosure of estimated fair value is required by certain accounting standards consisted of cash and cash equivalents, investments, patient services receivable, accounts payable and obligations to unrelated parties. The fair values of cash and cash equivalents, patient services receivable and accounts payable are equal to their carrying value because of their liquidity and short-term maturity. Investments are stated at fair value as described in Note 3. Management believes that the fair values of obligations to unrelated parties do not differ materially from their aggregate carrying values in that substantially all the obligations bear variable interest rates that are based on market rates or interest rates that are periodically adjusted to rates that are based on market rates. The fair value of the obligation related to the interest rate swap is described in Note 3.

### Contract services and other grants receivable

Contract services and other grants receivable reflect amounts earned but not yet collected. The Center considers all contract services and other grants receivable as collectible.

### Inventory

Inventory, consisting of pharmaceuticals, is stated at the lower of cost (determined using the first-in, first-out method) or market.

### Property and equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from five to 20 years for equipment and vehicles and 25 or 39 years for building and improvements. Leasehold improvements are amortized over the shorter of the useful life of the asset or the lease term. Expenditures over $5,000 are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are included in changes in net assets.

Construction-in-progress is recorded at cost. The Center capitalizes construction, insurance and other costs during the period of construction. Depreciation is recorded when construction is substantially complete and the assets are placed in service.

Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are included in changes in net assets.

According to federal regulations, any property and equipment items obtained through federal funds are subject to a lien by the federal government. Provided that the Center maintains its tax-exempt status and the property and equipment are used for their intended purpose, the Center is not required to reimburse the federal government. If the stated requirements are not met, the Center would be obligated to the federal government in an amount equal to the fair value of the property and equipment.

**Investment accounted for using the cost method**
The Center has a noncontrolling interest that constitutes more than a minor interest in a limited liability corporation. The Center accounts for its investment in the said entity using the cost method of accounting.

**Impairment of long-lived assets**
The Center reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing a review for impairment, the Center compares the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that impairment has occurred, the loss would be recognized during that period. The impairment loss is calculated as the difference between the assets' carrying values and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance and pricing trends. The Center does not believe that any material impairment currently exists related to its long-lived assets.

**Net patient services revenue and receivables**
Patient care service revenue is reported at the amount that reflects the consideration to which the Center expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Center bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Center. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Center believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving services in the Center's outpatient centers. The Center measures the performance obligation from the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our pharmacy revenue patients and customers and the Center does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Center is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The Center's performance obligations consist primarily of outpatient services that occur within one day of a patient's visit, thus, there were no unsatisfied or partially unsatisfied performance obligations at the end of the reporting period.

The Center determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Center's policy, and implicit price concessions provided to uninsured patients. The Center determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Center determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare - Outpatient services are paid using prospectively determined rates.

Medicaid - Reimbursements for Medicaid services are generally paid at prospectively determined rates per visit or per covered member.

Other - Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per visit, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Center's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Center. In addition, the contracts the Center has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Center's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant in 2020.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Center also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Center estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the year ended December 31, 2020, there was no additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years.

Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Consistent with the Center's mission, care is provided to patients regardless of their ability to pay. Therefore, the Center has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Center expects to collect based on its collection history with those patients.

The Center is open to all patients, regardless of their ability to pay. In the ordinary course of business, the Center renders services to patients who are financially unable to pay for healthcare. The Center provides care to these patients who meet certain criteria under its sliding fee discount policy without charge or at amounts less than the established rates. Charity care services are computed using a sliding fee scale based on patient income and family size.

The Center maintains records to identify and monitor the level of sliding fee discount it provides. For uninsured self-pay patients that do not qualify for charity care, the Center recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates, if negotiated or provided by policy. On the basis of historical experience, a significant portion of the Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Center records an explicit concession to uninsured patients in the period the services are provided based on historical experience.

Community benefit represents the cost of services for Medicaid, Medicare, and other public patients for which the Center is not reimbursed.

Based on the cost of patient services, charity care for the years ended December 31, 2020 and 2019 amounted to approximately $7,600,000 and $6,300,000, respectively, while community benefits amounted to $900,000 in 2020 and $0 in 2019.

Such amounts determined to qualify as charity care are not reported as revenue.

The Center has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors, geography, service lines, method of reimbursement, and timing of when revenue is recognized.

The Center does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Center's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Center does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

All incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Center otherwise would have recognized is one year or less in duration.

**Grants and contracts services revenue**
Revenue from grants and contracts with resource providers such as the government and its agencies, other organizations and private foundations are accounted for either as exchange transactions or as contributions. When the resource provider receives commensurate value in return for the resources transferred to the Center, the revenue from the grant or contract is accounted for as an exchange transaction in accordance with ASU 2014-09. For purposes of determining whether a transfer of asset is a contribution or an exchange, the Center deems that the resource provider is not synonymous with the general public, i.e., indirect benefit received by the public as a result of the assets transferred is not deemed equivalent to commensurate value received by the resource provider. Moreover, the execution of a resource provider's mission or the positive sentiment from acting as a donor is not deemed to constitute commensurate value received by a resource provider. Revenue from grants and contracts that are accounted for as exchange transactions is recognized when performance obligations have been satisfied. Grants and contracts awarded for the acquisition of long-lived assets are reported as nonoperating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as refundable advances.

At December 31, 2020, the Center has received conditional grants and contracts from governmental entities, accounted for as exchange transactions, in the aggregate amount of approximately $4,141,000 that have not been recorded in the accompanying financial statements. These grants and contracts require the Center to provide certain services during specified periods. If such services are not provided during the specified periods, the governmental entities are not obligated to expend the funds allotted under the contracts.

Grants and contract transactions where the resource provider does not receive commensurate value are accounted for as a contribution.

**Contributions**
Contributions are recorded as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Contributions received with no donor stipulations are recorded as revenue without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction is reclassified as net asset without donor restrictions and are reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as revenue without donor restrictions.

**340B pharmacy revenue**
The Center participates in Section 340B of the Public Health Service Act ("PHS Act"), Limitation on Prices of Drugs Purchased by Covered Entities. Participation in this program allows the Center to purchase pharmaceuticals at discounted rates for prescriptions to eligible patients. Pharmacy revenue is generated through the Center's pharmacy and 340B program that the Center operates through its agreement with third-party pharmacies for the years ended June 30, 2020 and 2019. Under this program, the Center uses the third party as its agent for the purpose of operating and managing the pharmacy and providing pharmacy services.

Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the Center's pharmacy patients and customers and the Center does not believe it is required to provide additional goods or services related to the sale. The Center's pharmacy revenue for the years ended December 31, 2020 and 2019, amounted to $5,325,417 and $2,573,269, respectively. The 340B receivable at January 1, 2019 amounted to $95,031.

Because all of its performance obligations relate to pharmacy sales contracts with a duration of less than one year, the Center is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The Center's performance obligations in relation to pharmacy revenue consist primarily of pharmacy sales that occur as the patient purchases the goods; thus, there were no unsatisfied or partially unsatisfied performance obligations at the end of the reporting period.

The Center determines the transaction price based on standard charges for goods provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Center's policy, and implicit price concessions provided to uninsured patients. The Center determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Center determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

**In-kind contributions**
The Center records donated items at fair value. For the years ended December 31, 2020 and 2019, the Center received $1,302,654 and $1,718,881, respectively, of vaccines, which are recorded in the statements of activities and changes in net assets as both revenue and expense.

**Interest income**
Interest earned on nonfederal funds is recorded as income on an accrual basis. Interest earned on federal funds is recorded as a payable to the United States Public Health Service (the "PHS") in compliance with the Office of Management and Budget.

**Performance indicator**
The statements of activities and changes in net assets include changes in net assets as the performance indicator.

**Meaningful use incentive**
The American Recovery and Reinvestment Act of 2009 ("ARRA") amended the Social Security Act to establish one-time incentive payments under the Medicare and Medicaid programs for certain professionals that: (1) meaningfully use certified Electronic Health Record ("EHR") technology, (2) use the certified EHR technology for electronic exchange of health information to improve quality of healthcare, and (3) use the certified EHR technology to submit clinical and quality measures. These provisions of ARRA, together with certain of its other provisions, are referred to as the Health

Information Technology for Clinical and Economic Health ("HITECH") Act. The criteria for meaningful use incentives will be staged in three steps over the course of six years and be paid out based on a transitional schedule. The Center's providers have not met the criteria and no revenue has been earned from the Medicaid and Medicare incentive program for the years ended December 31, 2020 and 2019.

**Functional expenses**
Expenses are charged to program services or general and administrative based on a combination of specific identification and allocation determined by management on an equitable basis. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation bases such as time and effort and square footage.

**Tax status**
The Center has no unrecognized tax benefits at December 31, 2020. The Center's federal, state and city information tax returns prior to 2017 are closed. The Board of Directors continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, the Center would recognize interest and penalties associated with tax matters as part of other than personnel services in the statements of activities and changes in net assets and include accrued interest and penalties in accrued expenses in the statements of financial position. The Center did not recognize any interest or penalties associated with tax matters for the years ended December 31, 2020 and 2019.

**Subsequent events**
The Center has evaluated subsequent events through October 15, 2021, which is the date the financial statements were available to be issued.

## Note 2 - Availability and liquidity

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

| | 2020 | 2019 |
|---|---|---|
| Financial assets at year end | | |
| Cash and cash equivalents | $ 3,132,411 | $ 3,268,340 |
| Investments | 19,124,826 | 13,817,849 |
| Patient services receivable, net | 907,019 | 1,377,407 |
| Contract services and other grants receivable | 203,140 | 189,656 |
| 340B pharmacy receivable | 875,211 | 153,392 |
| Total financial assets available to meet general expenditures over the next 12 months | $ 24,242,607 | $ 18,806,644 |

The Center's goal is generally to maintain financial assets to meet 180 days of operating expenses. The Center has a $1 million line of credit to meet cash flow needs.

## Note 3 - Fair value measurements

The Center values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Center utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. Financial assets and liabilities carried at fair value at December 31, 2020 and 2019 are classified in the tables below in one of the three categories described above:

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Investments | | | | |
| Exchange-traded funds | $ 1,885,518 | $ - | $ - | $ 1,885,518 |
| Mutual funds | 4,989,429 | - | - | 4,989,429 |
| Total investment, at fair value | $ 6,874,947 | $ - | $ - | 6,874,947 |
| Investments measured at net asset value (a) | | | | 12,249,879 |
| Total | | | | $ 19,124,826 |

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Investments | | | | |
| Mutual funds | $ 3,311,433 | $ - | $ - | $ 3,311,433 |
| Total investment, at fair value | $ 3,311,433 | $ - | $ - | 3,311,433 |
| Investments measured at net asset value (a) | | | | 10,506,416 |
| Total | | | | $ 13,817,849 |

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

Investments in exchange-traded funds are valued using market prices on active markets and valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Investments in mutual funds are valued using market prices on active markets and valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Investments in alternative investments are those made in limited partnerships. Given the absence of market quotations, their fair value is estimated using information provided to the Center by the investment manager or the general partners. The values are based on estimates that require varying degrees of judgment. Individual investment holdings within the alternative investments may include investments in both nonmarketable and market-traded securities. Nonmarketable securities may include interests in private companies, real estate, thinly-traded securities and other investment vehicles. The investments may indirectly expose the Center to the effects of securities lending short sales of securities, and trading in futures and forward contracts, options, swap contracts and other derivative products. While these financial instruments contain varying degrees of risks, the Center's exposure with respect to each such investment is limited to its carrying amount (fair value as described above) in each investment. The Center does not directly invest in the underlying securities of the investment funds and due to restrictions on transferability and timing of withdrawals from the limited partnerships, the amounts ultimately realized upon liquidation could differ from reported values that are based on current conditions.

The Center's policy is to recognize transfers into and transfers out of a level as of the actual date of the event or change in circumstance that caused the transfer. There were no transfers among the three levels in 2020 and 2019.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

## Note 4 - Patient services revenue and receivables, net

Patient services revenue by primary payor for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|---|---|---|
| Medicaid | $ 2,596,094 | $ 891,172 |
| Medicare | 641,703 | 907,708 |
| Private insurance | 1,145,465 | 1,235,898 |
| Self-pay | 518,748 | 1,268,250 |
| Medicaid managed care and wraparound | 20,762,985 | 22,464,969 |
| Medicare managed care and wraparound | 1,241,974 | 2,052,969 |
| Total | $ 26,906,969 | $ 28,820,966 |

Revenue from patients' deductibles and coinsurance are included in the preceding categories based on the primary payor. Patient receivables consist of amounts due from government programs, commercial insurance companies, other group insurance programs, and private pay patients.

Net patient services receivable consist of the following at December 31, 2020 and 2019:

| | 2020 | 2019 |
|---|---|---|
| Medicaid | $ 184,256 | $ 206,149 |
| Medicare | 79,057 | 43,771 |
| Private insurance and commercial managed care plans | 99,739 | 45,356 |
| Self-pay | 31,169 | 137,110 |
| Medicaid managed care plans and wraparound | 326,071 | 741,326 |
| Medicare managed care plans and wraparound | 186,727 | 203,695 |
| Total | $ 907,019 | $ 1,377,407 |

The net patient services receivable at January 1, 2019 amounted to $965,337.

In evaluating the collectability of patient services receivable, the Center analyzes its past history and identifies trends for each of its major payor sources or revenue to estimate the appropriate allowance for doubtful accounts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of allowance for doubtful accounts. For receivables associated services provided to patients who have third-party coverage, the Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients, the Center records a provision for bad debts in the period of service on the basis of its past experience, which indicated that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates or the discounted rates provided by the Center's policy and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against allowance for doubtful accounts. The Center does not have any allowance for doubtful accounts as of December 31, 2020 and 2019. The Center did not have any direct write-offs for the years ended December 31, 2020 and 2019. The Center has not changed its

charity care or uninsured discount policies during fiscal year 2020, except those related to 340B dispensing fee and laboratory services.

## Note 5 - Contract services and other grants receivable

Contract services and other grants receivable consist of the following at December 31:

| | 2020 | 2019 |
|---|---|---|
| Pennsylvania Department of Human Services | $ 93,459 | $ 92,562 |
| The City of Philadelphia | 39,626 | 28,757 |
| Health Partners Plan, Inc. | 27,592 | 11,488 |
| Merakey Delaware County | 18,750 | 25,000 |
| Commonwealth of Pennsylvania | - | 31,849 |
| Other | 23,713 | - |
| Total | $ 203,140 | $ 189,656 |

## Note 6 - Property and equipment, net

Property and equipment, net, consist of the following at December 31:

| | 2020 | 2019 |
|---|---|---|
| Land | $ 68,018 | $ 68,018 |
| Building and leasehold improvements | 19,091,707 | 19,035,811 |
| Office equipment | 5,248,365 | 3,965,231 |
| Medical and dental equipment | 4,061,075 | 3,368,452 |
| Vehicles | 64,924 | 64,924 |
| | 28,534,089 | 26,502,436 |
| Less accumulated depreciation and amortization | 15,022,253 | 13,779,345 |
| | 13,511,836 | 12,723,091 |
| Construction in progress | 427,337 | 112,580 |
| Total | $ 13,939,173 | $ 12,835,671 |

Depreciation and amortization expense amounted to $1,242,909 and $1,068,747 for the years ended December 31, 2020 and 2019, respectively.

In the event the DHHS grants are terminated, the DHHS reserves the right to transfer all property and equipment purchased with grant funds to the PHS or third parties.

## Note 7 - Investment in a limited liability corporation

In 2014, the Center invested in Broad Spectrum Independent Physician Association, LLC ("BSIL") where the Center acquired a 12% interest. BSIL is a limited liability company organized and directed by physicians or health centers to negotiate contracts with insurance companies on their behalf. No investment income was recognized in 2020 and 2019.

## Note 8 - Refundable advance - PPP

The Center was granted a $3,610,000 loan under the Paycheck Protection Program ("PPP") administered by a Small Business Administration ("SBA") approved lender. The loan is uncollateralized and is fully guaranteed by the Federal government. The Center is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Center has initially recorded the loan as refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if the Center maintains employment levels during the covered period and uses the funds for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended December 31, 2020. The Center will be required to repay any remaining balance, plus interest accrued at 1% per annum in monthly payments beginning six months from the date of the agreement. Principal and interest payments will be required through the maturity date.

## Note 9 - Line of credit

On March 17, 2020, the Center entered into a business loan agreement, which included a revolving line of credit, with a bank for an amount of $1,000,000. The revolving line of credit has an interest rate of 2.2 percentage points over the LIBOR advantage rate (2.3438% at December 31, 2020), payable on demand and security interest to be determined when draw down is made. There is no outstanding balance at December 31, 2020.

## Note 10 - DHHS grants

For the year ended December 31, 2020, the Center received the following DHHS grants:

| Grant number | Grant period | Total grant | Revenue recognized |
|---|---|---|---|
| 6H80CS00833-18-07 | June 1, 2019 - May 31, 2020 | $ 6,859,589 | $ 2,854,267 |
| 5H80CS00833-19-00 | June 1, 2020 - May 31, 2021 | 6,386,345 | 3,765,462 |
| 1H8CC35218-01-00 | March 15, 2020 - March 14, 2021 | 102,401 | 95,885 |
| 1H8DC36651-01-00 | April 1, 2020 - March 31, 2021 | 1,566,095 | 819,742 |
| 1H8EC38556-01-00 | May 1, 2020 - April 30, 2021 | 834,169 | 75,384 |
| Provider relief fund | | | 717,523 |
| DHHS grants - total | | | $ 8,328,263 |

For the year ended December 31, 2019, the Center received the following DHHS grants:

| Grant number | Grant period | Total grant | Revenue recognized |
|---|---|---|---|
| 6H80CS00833-17-08 | June 1, 2018 - May 31, 2019 | $ 6,657,930 | $ 3,119,293 |
| 6H80CS00833-18-07 | June 1, 2019 - May 31, 2020 | 6,859,589 | 3,578,098 |
| DHHS grants - total | | | $ 6,697,391 |

## Note 11 - Contract services and other grants

Contract services and other grants revenue consist of the following at December 31:

| | 2020 | 2019 |
|---|---|---|
| Federal Communications Commission | $ 504,880 | $ - |
| Pennsylvania Department of Human Services | 444,052 | 368,881 |
| Pennsylvania Department of Health | 419,901 | - |
| The Health Federation of Philadelphia | 211,850 | 63,000 |
| Independence Blue Cross Foundation | 200,000 | 200,000 |
| Siemens Foundation | 150,000 | - |
| The City of Philadelphia | 142,869 | 154,025 |
| IS3 West Gerard LLC | 80,000 | - |
| Commonwealth of Pennsylvania | 44,969 | 127,384 |
| Merakey Delaware County | 75,000 | 75,000 |
| Health Partners Plan, Inc. | 49,992 | 45,952 |
| American Cancer Society | - | 18,750 |
| Other | 34,702 | 68,800 |
| Total | $ 2,358,215 | $ 1,121,792 |

## Note 12 - Pension plan

The Center maintains a 401(k) match savings plan covering substantially all employees who have completed the minimum of a one-year waiting period, are at least age 21 and have a minimum of 1,000 hours within a plan year. Full vesting occurs after three years of service. The amount contributed to the plan is a fixed percentage of the participant's compensation combined with a dollar-for-dollar match of any voluntary employee deferral up to 2.5% of salary. Pension expense amounted to $1,662,822 and $1,146,133 for the years ended December 31, 2020 and 2019, respectively.

## Note 13 - Commitments and contingencies

The Center has contracted with various funding agencies to perform certain healthcare services, and receives Medicaid and Medicare revenue from state and federal governments. Reimbursements received under these contracts and payments under Medicaid and Medicare are subject to audit by federal and state governments and other agencies. Upon audit, if discrepancies are discovered, the Center could be held responsible for reimbursing the agencies for the amounts in question.

The Center maintains its medical malpractice coverage under the Federal Tort Claims Act ("FTCA"). FTCA provides malpractice coverage to eligible PHS-Supported programs and applies to the Center 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 healthcare industry is subject to voluminous and complex laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral laws, and false claims prohibitions. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of reimbursement, false claims, anti-kickback and anti-referral statutes and regulation by healthcare providers. The Center believes that it is in material compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Upon audit, if discrepancies are discovered, the Center could be held responsible for refunding the amount in question.

The Center leases various facility spaces under noncancelable operating leases. These leases expire between 2020 and 2029. Rent expense for the years ended December 31, 2020 and 2019 amounted to $415,466 and $350,012, respectively. Future minimum lease payments under the operating leases for the five years subsequent to December 31, 2020 and thereafter are as follows:

| | | |
|---|---|---|
| 2021 | $ | 267,584 |
| 2022 | | 277,779 |
| 2023 | | 284,238 |
| 2024 | | 293,764 |
| 2025 | | 304,159 |
| Thereafter | | 946,148 |
| Total | $ | 2,373,672 |

In December 2019 and early 2020, the coronavirus that causes COVID-19 was reported to have emerged globally. The spread of this virus globally in early 2020 has caused business disruption domestically in the United States, the area in which the Center primarily operates. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of this uncertainty. Therefore, while the Center expects this matter to negatively impact the Center's financial condition, results of operations, or cash flows, the extent of the financial impact and duration cannot be reasonably estimated at this time.

## Note 14 - Subsequent event

The Center submitted its application for PPP forgiveness subsequent to December 31, 2020 and received notice from its lender on September 1, 2021 that the SBA approved forgiveness of the PPP in the full amount of $3,610,000. The Center will recognize the revenue related to the forgiveness of the PPP in the year the forgiveness is received.

**Supplementary Information**

## Delaware Valley Community Health, Inc.

## Schedule of Expenditures of Federal Awards
## Year Ended December 31, 2020

| Federal grantor/agency/ pass-through grantor/program or cluster title | Federal CFDA number | Agency or pass-through grantor's number | Passed through to subrecipients | Federal expenditures |
|---|---|---|---|---|
| U.S. Department of Health and Human Services | | | | |
| Direct programs | | | | |
| Health Center Program Cluster: | | | | |
| Health Center Program (Community Health Center, Migrant Health Centers, Health Centers for the Homeless, and Public Housing Primary Care) | 93.224 | N/A | $ - | $ 1,878,569 |
| COVID-19 - Health Center Program (Community Health Centers, Migrant Health Centers, Health Centers for the Homeless and Public Housing Primary Care) | 93.224 | N/A | - | 95,885 |
| COVID-19 - Health Center Program (Community Health Centers, Migrant Health Centers, Health Centers for the Homeless and Public Housing Primary Care) | 93.224 | N/A | - | 819,742 |
| COVID-19 - Health Center Program (Community Health Centers, Migrant Health Centers, Health Centers for the Homeless and Public Housing Primary Care) | 93.224 | N/A | - | 75,384 |
| Total 93.224 | | | - | 2,869,580 |
| Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Care Center Program | 93.527 | N/A | - | 4,741,160 |
| Total Health Center Program Cluster | | | - | 7,610,740 |
| COVID-19 Testing for the Uninsured | 93.461 | N/A | - | 9,895 |
| Passed through the City of Philadelphia | | | | |
| HIV Emergency Relief Project Grants | 93.914 | 1320730 | - | 142,869 |
| Passed through Pennsylvania Department of Human Services | | | | |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance | 93.243 | Not Available | - | 444,052 |
| Passed through Merakey Delaware County | | | | |
| Section 223 Demonstration Programs to Improve Community Mental Health Services | 93.829 | 083168 | - | 75,000 |
| Total U.S. Department of Health and Human Services | | | - | 8,282,556 |
| Federal Communications Commission | | | | |
| Direct program | | | | |
| COVID-19 Telehealth Program | 32.006 | N/A | - | 504,880 |
| Total Federal Communications Commission | | | - | 504,880 |
| U.S. Department of the Treasury | | | | |
| Passed through Pennsylvania Department of Health | | | | |
| Coronavirus Relief Fund | 21.019 | Not Available | - | 419,901 |
| Total U.S. Department of the Treasury | | | - | 419,901 |
| Total expenditures of federal awards | | | $ - | $ 9,207,337 |

See Notes to Schedule of Expenditures of Federal Awards.

**Delaware Valley Community Health, Inc.**

**Notes to Schedule of Expenditures of Federal Awards**
**December 31, 2020**

## Note 1 - General information

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Delaware Valley Community Health, Inc. (the "Center") under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Center.

## Note 2 - Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements. The Center did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

# Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Delaware Valley Community Health, 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 Delaware Valley Community Health, Inc. (the "Center"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2021.

## Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 Center'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 Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

New York, New York
October 15, 2021

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

To the Board of Directors
Delaware Valley Community Health, Inc.

## Report on Compliance for Each Major Federal Program

We have audited Delaware Valley Community Health, Inc.'s (the "Center") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### *Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### *Opinion on Each Major Federal Program*

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the Center 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 Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Center's internal control over compliance.

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

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

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

CohnReznick LLP

New York, New York
October 15, 2021

**Delaware Valley Community Health, Inc.**

**Schedule of Findings and Questioned Costs**
**December 31, 2020**

## Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? ____ yes ✓ no
- Significant deficiency(ies) identified? ____ yes ✓ none reported

Noncompliance material to financial statements noted? ____ yes ✓ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ____ yes ✓ no
- Significant deficiency(ies) identified? ____ yes ✓ 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 with 2 CFR 200.516(a)? ____ yes ✓ no

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|---|---|
| | U.S. Department of Health and Human Services Health Center Program Cluster |
| 93.224 | Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) |
| 93.224 | COVID-19 - Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) |
| 93.527 | Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program |

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

Auditee qualified as low-risk auditee? ✓ yes ____ no

**Delaware Valley Community Health, Inc.**

**Schedule of Findings and Questioned Costs**
**December 31, 2020**

## Section II - Financial Statement Findings

None.

## Section III - Findings and Questioned Costs - Major Federal Award Programs

None.

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