

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

**HOPEHEALTH, INC.
Florence, South Carolina**

December 31, 2019

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CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
HopeHealth, Inc.
Florence, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of HopeHealth, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HopeHealth, Inc. (a nonprofit organization), as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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 September 28, 2020, on our consideration of HopeHealth, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 HopeHealth, Inc.'s internal control over financial reporting and compliance.



Florence, South Carolina

September 28, 2020

HopeHealth, Inc.

Statement of Financial Position

December 31, 2019

ASSETS	
CURRENT ASSETS	
Cash	\$ 14,695,494
Receivables	
Grants--Note B	2,492,896
Patients	4,957,796
Other programs	6,631,184
Inventory - Drugs	808,769
Investments--Note D	1,191,495
Prepaid expenses	320,246
	<u>31,097,880</u>
TOTAL CURRENT ASSETS	
	<u>31,097,880</u>
PROPERTY AND EQUIPMENT--Notes C and J	<u>31,199,479</u>
	<u>\$ 62,297,359</u>
TOTAL ASSETS	
	<u>\$ 62,297,359</u>
LIABILITIES	
CURRENT LIABILITIES	
Account payables and accrued expenses	\$ 8,365,239
Current maturities of long-term debt--Note J	671,200
Deferred revenue	179,521
	<u>9,215,960</u>
TOTAL CURRENT LIABILITIES	
	<u>9,215,960</u>
LONG-TERM DEBT--less current maturities--Note J	<u>12,697,578</u>
	<u>12,697,578</u>
NET ASSETS	
Without Donor Restrictions	<u>40,383,821</u>
	<u>40,383,821</u>
TOTAL LIABILITIES AND NET ASSETS	
	<u>\$ 62,297,359</u>

See accompanying notes to financial statements.

HopeHealth, Inc.

Statement of Activities

Year Ended December 31, 2019

Without Donor Restrictions Net Assets

Support and revenue:

Contributions	\$ 89,917
Pharmacy Income	63,375,580
Medical billing income	27,641,117
Uninsured income allocation	313,394
Incentive income	1,386,220
Admin/Medical records fee income	10,143
Rental/management fees	65,875
Miscellaneous income	96,264
Event income	24,335
Investment income , Net	175,393
Interest income	<u>59,029</u>

TOTAL REVENUES AND GAINS 93,237,267

Net assets released from restrictions:

Restrictions satisfied by payments	<u>7,847,225</u>
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TOTAL SUPPORT AND RECLASSIFICATION 101,084,492

Expenses:

Program services:

Behavioral Health	3,151,092
Compassionate Care	227,916
Dental	1,442,065
Diagnostics	155,571
Pharmacy	18,676,057
Primary Care	23,897,019
Ryan White Program	24,107,372
Speciality Services	7,386,671

Supporting services:

Management and general	15,914,413
Fundraising	<u>39,381</u>

TOTAL EXPENSES 94,997,557

INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS 6,086,935

HopeHealth, Inc.

Statement of Activities--Continued Year Ended December 31, 2019

With Donor Restrictions Net Assets

MUSC - Primary Care Training & Enhancement	9,221
Ryan White Title III	648,110
Eau Claire Cooperative Health Center - Ryan White Part D	21,818
HOPWA Grant	298,993
Ryan White Part B Supplemental	774,753
MAI Grant	33,581
CHC Grant	6,417,655
Ryan White/Care Act Title III	1,478,303
New Morning Foundation	286,459
Substance abuse prevention and treatment block grant	183,077
McLeod Health - Access Hope	187,500
Public Housing Smoking Cessation Grant	41,167
Making Connections	168,294
Rebates/Reimbursements/Miscellaneous	<u>(2,701,706)</u>

Net assets released from restrictions:

Restrictions satisfied by payments	<u>(7,847,225)</u>
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**INCREASE IN NET ASSETS
WITH DONOR RESTRICTIONS** -

INCREASE IN NET ASSETS 6,086,935

Beginning net assets 34,296,886

ENDING NET ASSETS \$ 40,383,821

See accompanying notes to financial statements.

HopeHealth, Inc.
Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services				
	Behavioral Health	Compassionate Care	Dental	Diagnostics	Pharmacy
Compensation and related expenses					
Salaries and wages	\$ 1,765,041	\$ -	\$ 954,614	\$ 54,556	\$ 297,703
Payroll taxes	134,238	-	71,747	4,055	21,160
Employee benefits	353,877	-	197,638	9,442	76,414
	<u>2,253,156</u>	<u>-</u>	<u>1,223,999</u>	<u>68,053</u>	<u>395,277</u>
Accounting and legal	-	-	-	-	-
Advertising & marketing	40,487	3,570	-	-	-
Bank charges	-	-	-	-	-
Café support	-	-	-	-	-
Contractual services	-	-	-	77,407	-
Consultant	-	71,525	-	-	-
Counseling	19,834	-	-	-	-
Dues and subscriptions	38	-	-	-	616
Financial assistance	-	148	775	-	-
Health education	3,205	-	-	-	-
Housing assistance	-	-	-	-	-
Insurance	-	-	-	-	-
IT support & supplies	149,308	-	31,188	-	393
Laboratory	31,845	1,478	-	-	-
Medical supplies	24,749	4,610	117,565	2,625	184
Miscellaneous	2,067	35,184	-	-	-
Miscellaneous medical expense	-	108,672	-	-	-
Office expense	64,428	-	8,862	275	3,151
Patient Health Insurance Premium Program	-	-	-	-	393,288
Patient transportation	26,938	2,672	-	-	-
Payroll services	9,357	-	4,263	252	896
Pharmacy	277,716	-	12,779	-	17,840,438
Physician	-	-	-	-	-
Program costs	80,175	-	-	-	-
Recruitment	-	-	-	-	-
Rent expense	480	-	-	-	-
Supplies - other	19,750	-	9,654	1,009	455
Taxes and licenses	-	-	-	-	-
Telephone	4,161	-	2,167	167	826
Temporary staff	-	-	-	-	-
Testing/prevention supplies	-	-	-	-	-
Training	81,812	-	10,540	-	12,488
Travel and mileage	18,727	57	1,086	-	2,438
Utilities	19,655	-	8,224	1,746	7,694
Interest	23,204	-	10,963	4,037	17,913
Depreciation	-	-	-	-	-
TOTAL FUNCTIONAL EXPENSES	<u>\$ 3,151,092</u>	<u>\$ 227,916</u>	<u>\$ 1,442,065</u>	<u>\$ 155,571</u>	<u>\$ 18,676,057</u>

Program Services			Supporting Services		
Primary Care	Ryan White Program	Speciality Services	Management and General	Fundraising	Total
\$ 11,867,457	\$ 2,750,348	\$ 2,846,801	\$ 7,497,259	\$ -	\$ 28,033,779
806,627	200,294	186,384	525,825	-	1,950,330
2,215,720	663,437	433,160	1,898,796	-	5,848,484
14,889,804	3,614,079	3,466,345	9,921,880	-	35,832,593
-	-	-	58,162	-	58,162
1,930	23,876	(145)	352,758	-	422,476
-	-	-	71,167	-	71,167
-	-	-	144,463	-	144,463
74,024	-	-	259,092	-	410,523
-	4,589	-	103,030	-	179,144
-	2,764	74,928	-	-	97,526
-	1,615	(7,667)	51,941	-	46,543
471	110,756	-	-	-	112,150
-	1,421	29	-	-	4,655
-	32,116	-	-	-	32,116
-	18,115	-	181,235	-	199,350
466,977	57,687	134,524	385,391	-	1,225,468
709,236	492,011	160,215	(6,527)	-	1,388,258
1,271,028	122,306	52,806	28,940	-	1,624,813
-	5,742	-	25,502	39,381	107,876
13,835	100,018	34,865	155,729	-	413,119
179,520	63,479	80,506	1,325,584	-	1,725,805
-	2,731,945	-	-	-	3,125,233
1,978	248,430	-	20,674	-	300,692
59,049	21,767	10,943	38,130	-	144,657
5,397,955	15,935,730	3,249,426	23,699	-	42,737,743
113,900	143,030	-	-	-	256,930
(50)	44,017	2,652	50,302	-	177,096
-	-	-	70,179	-	70,179
119,275	3,152	720	54,802	-	178,429
135,797	61,281	27,835	111,322	-	367,103
-	1,527	-	53,271	-	54,798
76,872	40,031	7,285	71,900	-	203,409
-	4,335	-	-	-	4,335
-	2,388	1,916	-	-	4,304
60,533	67,766	17,637	376,086	-	626,862
33,141	47,323	3,227	86,115	-	192,114
123,675	51,531	34,612	234,840	-	481,977
168,069	52,545	34,012	198,105	-	508,848
-	-	-	1,466,641	-	1,466,641
<u>\$ 23,897,019</u>	<u>\$ 24,107,372</u>	<u>\$ 7,386,671</u>	<u>\$ 15,914,413</u>	<u>\$ 39,381</u>	<u>\$ 94,997,557</u>

See accompanying notes to financial statements.

HopeHealth, Inc.
Statement of Cash Flows
Year Ended December 31, 2019

CASH FLOW FROM OPERATING ACTIVITIES:

Increase in net assets	\$ 6,086,935
Adjustments to reconcile increase in net assets to cash provided by operating activities:	
Depreciation	1,466,641
Increase in grants receivable	(560,457)
Increase in patients receivable	(3,028,157)
Increase in other programs receivable	(1,887,133)
Increase in inventory	(38,392)
Decrease in prepaid expenses	14,167
Increase in accounts payable and accrued expenses	3,093,069
Increase in deferred revenue	<u>26,394</u>

**NET CASH PROVIDED BY
OPERATING ACTIVITIES** 5,173,067

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	(2,425,236)
Decrease in investments	<u>(175,393)</u>

**NET CASH USED BY
INVESTING ACTIVITIES** (2,600,629)

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on long-term debt	<u>(936,987)</u>
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**NET CASH USED BY
FINANCING ACTIVITIES** (936,987)

NET INCREASE IN CASH AND CASH EQUIVALENTS 1,635,451

Beginning cash and cash equivalents	<u>13,060,043</u>
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ENDING CASH AND CASH EQUIVALENTS \$ 14,695,494

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Interest paid	<u>\$ 508,848</u>
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See accompanying notes to financial statements.

HopeHealth, Inc.

Notes to Financial Statements

December 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

HopeHealth, Inc. (the Organization) is a Federally Qualified Health Center providing comprehensive primary and preventative healthcare to the Florence area. The mission of HopeHealth is to increase access to healthcare to improve the health status of the underserved and vulnerable populations in the community. HopeHealth has become one of the leading public health providers in the Pee Dee, Edisto and Lower Savannah regions providing a comprehensive range of health and human service resources to provide the very best patient care, prevention and support services. One of the leading programs of the organization is providing practical and emotional support to persons with AIDS and HIV infection through specialty healthcare, education, prevention services and advocacy.

Basis of Accounting

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

Cash and Cash Equivalents

Cash consists of demand deposits with local financial institutions. The balance of accounts at the financial institutions is insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2019, the Organization's uninsured balances totaled \$13,934,204.

Inventories

Inventories are valued at the lower of cost (first in, first out method) or net realizable value and consist of prescription drugs.

Property and Equipment

Property and equipment are capitalized at cost when acquired and depreciated over their useful lives under the straight-line method of depreciation.

Deferred Revenue

Deferred revenue is receipts where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenues also result from revenues being collected in advance of the fiscal year to which they apply.

Revenue

The Organization receives a majority of its funding from the sale of prescription drugs in an on-site pharmacy operating under the 340(b) Public Health Service Act. The Organization receives funding from the South Carolina Department of Health and Environmental Control as a pass-through entity. The Organization is a sub-recipient of federal grants including the Ryan White/CARE and Housing Opportunities for Persons with AIDS (HOPWA) Grants. The Organization also receives direct funding from the U.S. Department of Health and Human Services for the Community Health Center grant and the Ryan White Title III Early Intervention services grant.

Investment Income

Income and realized and unrealized net gains on investments are reported as follows:

- as increases in with donor restrictions net assets if the terms of the gift impose restrictions on the use of the income;
- as increases in without donor restrictions net assets in all other cases.

HopeHealth, Inc.

Notes to Financial Statements - - Continued

December 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - - Continued

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. A description of the two net asset categories follows:

- Without donor restrictions net assets - net assets that are not subject to donor-imposed restrictions, as well as funds designated for specific purposes by action of the Board of Directors.
- With donor restrictions net assets - net assets subject to donor-imposed restrictions, including underwater endowments that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, with donor restrictions net assets are reclassified to without donor restrictions net assets and reported in the statement of activities as net assets released from restrictions.

Contributions

Contributions received are recorded as without donor restrictions or with donor restriction assets depending upon the existence or nature of any donor restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE B - GRANTS RECEIVABLE

Grants receivable represents funding requests that were made during the year that had not been remitted to the Organization by December 31. Grants receivable consist of the following:

	December 31, <u>2019</u>
DHEC	\$ 904,342
HRSA	1,579,334
MUSC	<u>9,220</u>
	<u>\$ 2,492,896</u>

HopeHealth, Inc.

Notes to Financial Statements - - Continued

December 31, 2019

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 2019
Land	\$ 3,272,820
Building	27,033,021
Leasehold improvements	923,331
Equipment	6,496,729
Vehicles	269,699
Accumulated depreciation	<u>(6,796,121)</u>
	<u>\$ 31,199,479</u>

NOTE D - FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting principles generally accepted in the United States of America provide a framework for measuring fair value (FASB ASC 820). The framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used to measure fair value. There have been no changes in the methodologies used at December 31, 2019.

HopeHealth, Inc.

Notes to Financial Statements - - Continued

December 31, 2019

NOTE D - FAIR VALUE OF FINANCIAL INSTRUMENTS - - Continued

Cash and cash equivalents and money market accounts: The carrying amount is a reasonable estimate of fair value.

Contributions receivable: For contributions receivable that are due within one year, carrying amount is a reasonable estimate of fair value.

Beneficial interest: Valued based on the Organization's allocable share in the market value of the underlying investments made by the Organization as reported to the Organization by a third-party trustee from published market quotes.

The tables below present the recorded amount of assets measured at fair value on a recurring basis in the statement of financial position:

	Balance as of December 31, <u>2019</u>	Quoted Price in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Other Unobservable Inputs <u>(Level 3)</u>
Organization Investments:				
Beneficial interest	\$ 1,191,495	\$ -	\$ 1,191,495	\$ -
Total Assets Recognized at Fair Value	<u>\$ 1,191,495</u>	<u>\$ -</u>	<u>\$ 1,191,495</u>	<u>\$ -</u>

NOTE E - RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization maintains insurance coverage for each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Organization. Settled claims have not exceeded this coverage in any of the past three fiscal years.

NOTE F - CONCENTRATIONS

The Organization received more than 7% of its revenues from federal agencies either through direct programs or pass-through grants from the South Carolina Department of Health and Environmental Control.

NOTE G - OPERATING LEASES

The Organization leases equipment and office space under several operating leases. Lease payments for 2019 were \$178,429. Approximate minimum future rental payments required under these leases are as follows:

2020	<u>\$ 159,365</u>
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HopeHealth, Inc.

Notes to Financial Statements - - Continued

December 31, 2019

NOTE H - PHYSICIAN CONTRACT

The Organization contracted with physicians to provide services to its clients. The contract stipulates that the physicians will be paid on an hourly basis. The contract is renegotiated on an annual basis.

NOTE I - EMPLOYEE BENEFIT PLAN

The Organization has implemented a safe harbor 401(k) salary deferral plan covering substantially all employees. Under the plan, the Organization contributes three percent of each eligible employee's salary. Plan expenses incurred by the Organization were \$1,480,902 for the year ended December 31, 2019.

NOTE J - LONG-TERM DEBT

Long-term debt consists of the following as of December 31, 2019:

Bond payable for the purchase of land and building. The revenue bond was issued through the South Carolina Jobs-Economic Development Authority. The bond bears interest at 4.51% and is payable monthly through June 1, 2028. The bond is collateralized by all land, building equipment, leases, rents, and profits. \$ 952,478

An installment note due to a financial institution for the purchase of a building. The monthly payments are \$64,243, including interest computed at an annual rate of 3.37%. The final payment is scheduled for June 2026. The note is collateralized by the building, improvements and equipment purchased for Florence, which has an approximate carrying value of \$9,570,450 at December 31, 2019. 10,419,691

An installment note due to a financial institution for a construction loan for a building. The monthly payments are \$4,228, including interest computed at an annual rate of 3.55%. The final payment is scheduled for June 2026. The note is collateralized by land, which has an approximate carrying value of \$600,000 at December 31, 2019. 657,941

An installment note due to a financial institution for the purchase of a building. The monthly payments are \$8,759, including interest computed at an annual rate of 4.17%. The final payment is scheduled for November 2025. The note is collateralized by the building, which has an approximate carrying value of \$1,266,600 at December 31, 2019. 1,220,129

A capital lease due to a financial institution for equipment. The monthly payments are \$2,416, including interest computed at an annual rate of 5.633%. The final payment is scheduled for December 2022. The note is collateralized by the equipment, which has an approximate carrying value of \$88,700 at December 31, 2019. 77,103

HopeHealth, Inc.

Notes to Financial Statements - - Continued

December 31, 2019

NOTE J - LONG-TERM DEBT -- Continued

A capital lease due to a financial institution for equipment. The monthly payments are \$3,638, including interest computed at an annual rate of 10.878%. The final payment is scheduled for February 2021. The note is collateralized by the equipment, which has an approximate carrying value of \$73,900 at December 31, 2019.

41,436
13,368,778

Less current maturities

671,200
\$ 12,697,578

The estimated annual requirements to amortize all debt outstanding as of December 31, 2019, including interest estimated at \$2,547,576 is as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 671,200	\$ 464,273	\$ 1,135,473
2021	654,700	440,753	1,095,453
2022	666,900	424,915	1,091,815
2023	671,400	388,741	1,060,141
2024	696,200	363,941	1,060,141
Thereafter	<u>10,008,378</u>	<u>464,953</u>	<u>10,473,331</u>
	<u>\$ 13,368,778</u>	<u>\$ 2,547,576</u>	<u>\$ 15,916,354</u>

NOTE K - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2019</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 30,777,634</u>

NOTE L - RECENT ACCOUNTING GUIDANCE

Recently Implemented Standards

In May 2014, the FASB issued ASC Update No. 2014-09, (Topic 606) *Revenue from Contracts with Customers*. This ASU is a comprehensive new revenue recognition model that requires an organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This updated guidance impacts not-for-profit entities that have revenue transactions other than contributions. In August 2015, the FASB deferred the effective date of ASC Update No. 2014-09 by one year when it issued ASC Update No. 2015-14, (Topic 606) *Revenue from Contracts with Customers*. This standard was adopted by the Organization effective January 1, 2019. The adoption of this standard did not result in a material change to the Organization's revenue balances.

HopeHealth, Inc.

Notes to Financial Statements - - Continued

December 31, 2019

NOTE L - RECENT ACCOUNTING GUIDANCE - - Continued

In June 2018, the FASB issued ASC Update No. 2018-08, (Topic 958) *Clarifying the Scope and the accounting Guidance for Contributions Received and Contributions Made*. This ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The ASU provides organizations with the option of applying the clarified guidance in the initial year of implementation on a prospective basis; therefore, the Organization has not restated its 2018 revenue balances or opening net assets for the years presented.

NOTE M - INCOME TAXES

Uncertain Tax Position

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization does not have any income it considers to be subject to tax on unrelated business income. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's Forms 990, *Return of Organization Exempt form Income Tax*, for the years ending 2016, 2017, 2018 and 2019 are subject to examination by the IRS, generally for three years after they were filed.

NOTE N - SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through September 28, 2020, the date which the financial statements were available for issue, and noted the following events which met the criteria:

2020 Coronavirus Pandemic:

Subsequent to year end, the global economies have been impacted by the Coronavirus pandemic. This has led to large market swings impacting the daily value of the Organization's long-term investments. It is the opinion of management that market volatility will not hinder daily operations of HopeHealth, Inc.

OMB'S UNIFORM GUIDANCE--COMPLIANCE

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

To the Board of Directors
HopeHealth, Inc.
Florence, South Carolina

Report on Compliance for Each Major Federal Program

We have audited HopeHealth, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of HopeHealth, Inc.'s major federal programs for the year ended December 31, 2019. HopeHealth, Inc.'s major federal programs are 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.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, HopeHealth, Inc. 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, 2019.

Report on Internal Control Over Compliance

Management of HopeHealth, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered HopeHealth, Inc.'s internal control over compliance with the types of requirements that could have a direct and

material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 HopeHealth, Inc.'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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of HopeHealth, Inc., which comprise the statement of financial position as of and for the year ended December 31, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. We issued our report thereon dated September 28, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 purposes.


Florence, South Carolina

HopeHealth, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity's Identifying Number</u>	<u>Federal Expenditure</u>
<u>U.S. Department of Housing and Urban Development:</u>			
Pass-through S.C. Department of Health and Environmental Control - Housing Opportunities for Persons with AIDS (HOPWA) Program	14.241	PH-8-383	\$ <u>298,993</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>298,993</u>
<u>U.S. Department of Health and Human Services:</u>			
Direct Program:			
Ryan White Title III	93.918	3H76HA00789B0	648,110
Community Health Centers	93.224	H80C508240	<u>6,417,655</u>
SUBTOTAL			<u>7,065,765</u>
Pass-through S.C. Department of Health and Environmental Control			
Ryan White/CARE Act Title III	93.917	-	1,478,303
Minority AIDS Initiative	93.917	-	33,581
Ryan White/Part B Supplemental	93.917	-	774,753
Substance Abuse Prevention and Treatment Block Grant	93.959	-	<u>183,077</u>
SUBTOTAL			<u>2,469,714</u>
Pass-through Medical University of South Carolina			
Primary Care Training & Enhancement	93.884	A00-3788-S007	9,221
Pass-through Eau Claire Cooperative Health Center			
Ryan White Part D	93.917	-	<u>21,818</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>9,566,518</u>
TOTAL FEDERAL AWARDS			<u>\$ 9,865,511</u>

NOTE A - BASIS PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of HopeHealth, Inc. under programs of the federal government for the year ended December 31, 2019. 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 HopeHealth, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of HopeHealth, Inc.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) HopeHealth, Inc. has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

See independent auditors' report on the Uniform Guidance compliance requirements.

HopeHealth, Inc.

Schedule of Findings and Questioned Costs

Year Ended December 31, 2019

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on whether the financial statements of HopeHealth, Inc., Florence, South Carolina were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the basic financial statements of HopeHealth, Inc. were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs expresses an unmodified opinion.
6. No audit findings that are required to be reported in accordance with 2 CFR 200.516(a) are reported in this Schedule.
7. The programs tested as major programs include:

Ryan White/Care Act Title III - CFDA Number 93.917 and Substance abuse prevention and treatment block grant – CFDA Number 93.959.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. HopeHealth, Inc. was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

See independent auditors' report on the Uniform Guidance compliance requirements.

HopeHealth, Inc.
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2019

In accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, the following is the status of known material findings and recommendations from prior year audits:

None

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**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
HopeHealth, Inc.
Florence, South Carolina

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 HopeHealth, Inc., which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HopeHealth, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HopeHealth, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of HopeHealth, Inc.'s internal control over financial reporting.

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 HopeHealth, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barth, Oxxner, Seale Co., CPAs, PA

Florence, South Carolina