Community Healthcare Network, Inc.
and Community Healthcare Network Foundation, Inc.

Consolidated Financial Statements,
Schedule of Expenditures of Federal Awards,
Internal Control and Compliance
(With Supplementary Information)
and Independent Auditor's Reports

December 31, 2019

CohnReznick

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Community Healthcare Network, Inc.
and Community Healthcare Network Foundation, Inc.

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Independent Auditor's Report

To the Board of Directors
Community Healthcare Network, Inc.
and Community Healthcare Network Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Community Healthcare Network, Inc. and Community Healthcare Network Foundation, Inc. (collectively, the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement. The financial statements of Community Healthcare Network Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information included in the accompanying statements on pages 32 and 33 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and the changes in net assets and equity of the individual organizations, and is not a required part of the consolidated financial statements. 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 Report Date, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

CohnReznick LLP

New York, New York
August 27, 2020

Community Healthcare Network, Inc.
and Community Healthcare Network Foundation, Inc.

Consolidated Statement of Financial Position
December 31, 2019

Assets	
Current assets	
Cash and cash equivalents	$ 5,695,040
Investments	32,046,132
Patient services receivable, net	5,257,091
Health Home receivable, net	2,343,147
340B pharmacy program receivable	480,773
Grants and contracts receivable	7,300,509
Prepaid expenses and other current assets	1,380,015
Total current assets	54,502,707
Assets limited as to use	
Cash and cash equivalents	12,712,934
Investments, certificates of deposit, money market and cash	7,741,927
Total assets limited as to use	20,454,861
Subvention receivable	1,000,000
Loan receivable	7,141,000
Property and equipment, net	10,819,271
Security deposits and other assets	2,114,699
Total	$ 96,032,538
Liabilities and Net Assets	
Current liabilities	
Accounts payable and accrued expenses	$ 4,867,114
Accrued compensation	3,039,460
Health Home payables	2,623,033
Health Home Development Fund advances	969,226
Refundable advance	825,859
Due to third-party, current maturities	100,000
Total current liabilities	12,424,692
Long-term liabilities	
Deferred rent	873,240
Due to third-party, less current maturities	258,333
Long-term debt	9,341,001
Total long-term liabilities	10,472,574
Total liabilities	22,897,266
Commitments and contingencies	
Net assets	
Without donor restrictions	50,333,157
Without donor restrictions - board-designated	20,000,000
With donor restrictions	2,802,115
Total net assets	73,135,272
Total	$ 96,032,538

See Notes to Consolidated Financial Statements.

Community Healthcare Network, Inc.
and Community Healthcare Network Foundation, Inc.

Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2019

Revenue without donor restrictions	
Patient services (net of contractual allowances and discounts)	$ 36,191,538
Health Home revenue	18,401,363
Contract services and other grants	15,889,661
DHHS grants	7,640,701
340B pharmacy	7,407,919
Donated vaccines	731,678
Investment return, net	5,128,157
Other income	936,511
Total revenue without donor restrictions	92,327,528
Operating expenses	
Salaries and fringe benefits	58,088,664
Other than personnel services	37,363,620
Total operating expenses	95,452,284
Operating loss prior to depreciation and amortization	(3,124,756)
Depreciation and amortization	1,642,173
Change in net assets without donor restrictions	(4,766,929)
Change in net assets with donor restrictions	
Nonoperating revenue - contract services and other grants - capital projects	2,802,115
Change in net assets	(1,964,814)
Net assets, beginning	75,100,086
Net assets, end	$ 73,135,272

See Notes to Consolidated Financial Statements.

Community Healthcare Network, Inc.
and Community Healthcare Network Foundation, Inc.

Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	Program services	General and administrative	Fundraising	Total
Salaries and wages	$ 37,856,262	$ 5,864,126	$ -	$ 43,720,388
Employee benefits	12,441,088	1,927,188	-	14,368,276
Healthcare consultants	1,130,194	-	-	1,130,194
Laboratory	507,606	-	-	507,606
Professional fees	-	654,633	-	654,633
Consultants and contractuals	13,801,379	568,082	-	14,369,461
Consumable supplies	10,025,976	278,565	-	10,304,541
Occupancy	2,968,383	937,384	-	3,905,767
Insurance	200,532	63,326	-	263,858
Repairs and maintenance	486,021	153,481	-	639,502
Equipment rental	324,356	102,428	-	426,784
Telephone	1,533,188	484,164	-	2,017,352
Travel, conferences and meetings	237,804	35,526	-	273,330
Printing, publication and postage	121,501	18,155	37,464	177,120
Staff training	164,326	24,554	-	188,880
Personnel recruitment	281,740	-	-	281,740
Public information	59,908	-	-	59,908
Client services	136,861	-	-	136,861
Miscellaneous	1,108,214	855,435	62,434	2,026,083
Subtotal	83,385,339	11,967,047	99,898	95,452,284
Depreciation and amortization	1,248,051	394,122	-	1,642,173
Total functional expenses	$ 84,633,390	$ 12,361,169	$ 99,898	$ 97,094,457

See Notes to Consolidated Financial Statements.

Community Healthcare Network, Inc.
and Community Healthcare Network Foundation, Inc.

Consolidated Statement of Cash Flows
Year Ended December 31, 2019

Cash flows from operating activities	
Change in net assets	$ (1,964,814)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Unrealized gain on investments	(4,613,737)
Nonoperating contract services and other grants - capital projects	(2,802,115)
Depreciation and amortization	1,642,173
Deferred rent	53,330
Changes in operating assets and liabilities	
Patient services receivable	2,951,286
Health Home receivable	256,842
Grants and contracts receivable	1,564,293
340B pharmacy program receivable	168,560
Prepaid expenses and other current assets	(803,672)
Security deposits and other assets	(261,489)
Accounts payable and accrued expenses	483,241
Accrued compensation	(1,413,197)
Health Home payables	624,765
Health Home Development Fund advances	(3,174,126)
Refundable advance	(8,132)
Net cash used in operating activities	(7,296,792)
Cash flows from financing activities	
Proceeds from long-term debt	9,800,000
Payment of deferred financing costs	(458,999)
Proceeds from third-party borrowing	28,817
Repayments of due to third-party	(91,667)
Net cash provided by financing activities	9,278,151
Cash flows from investing activities	
Purchase of property and equipment	(2,152,673)
Net change in investments	2,131,201
Net change in assets limited as to use: investments, certificates of deposit, money market and cash	1,819,660
Issuance of loan receivable	(7,141,000)
Net cash used in investing activities	(5,342,812)
Net decrease in cash and cash equivalents	(3,361,453)
Cash and cash equivalents and assets limited as to use: cash and cash equivalents, beginning	21,769,427
Cash and cash equivalents and assets limited as to use: cash and cash equivalents, end	$ 18,407,974
Supplemental disclosure of noncash investing activities	
Capital acquisitions included in accounts payable and accrued expenses	$ 363,110

See Notes to Consolidated Financial Statements.

Note 1 - Organization

Community Healthcare Network, Inc. ("CHN") operates free-standing diagnostic and treatment centers, licensed under Article 28 of the New York State Health Law. The diagnostic and treatment centers are located throughout New York City. CHN provides a broad range of health services, including mental health, to a largely medically underserved population. CHN is supported primarily by patient service fees, contracted services and government grants.

Community Healthcare Network Foundation, Inc. ("CHNF") was organized on December 4, 2019, under Section 501(c)(3) of the Internal Revenue Code. The purpose of CHNF is to facilitate the borrowings related to a New Markets Tax Credit transaction to finance the development and construction of a health care facility in Queens, New York.

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

Note 2 - Significant accounting policies

Basis of presentation

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

The accompanying consolidated financial statements include the accounts of the Community Healthcare Network, Inc. and Community Healthcare Network Foundation, Inc. (collectively, the "Organization"). All significant intercompany transactions and account balances have been eliminated in consolidation.

Adoption of new accounting pronouncements

For the year ended December 31, 2019, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves current accounting guidance to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. The Organization adopted ASU 2018-08 on January 1, 2019 using the modified retrospective method of transition. Due to the adoption of ASU 2018-08, certain transactions previously accounted for as exchange transactions are now accounted for as conditional contributions.

The Organization adopted FASB ASU 2014-09, *Revenue from Contracts with Customers*. This ASU provides new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers which reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenues. The Organization adopted ASU 2014-09 on January 1, 2019 using the modified retrospective method of transition. The Organization performed an analysis of revenue streams and transactions under ASU 2014-09. In particular, for patient service revenue net of contractual allowances and discounts and for pharmacy revenue, the Organization performed an analysis into the application of the portfolio approach as a practical expedient to group patient contracts and group pharmacy contracts with similar characteristics, such that revenue for a given portfolio would

not be materially different than if it were evaluated on a contract-by-contract basis. Upon adoption, the majority of what was previously classified as provision for bad debts and presented as reduction to patient revenue net of contractual allowances and discounts on the consolidated statement of activities and changes in net assets is now treated as a price concession that reduces the transaction price, which is reported as net patient services revenue. The new standard also requires enhanced disclosures related to the disaggregation of revenue and significant judgments made in measurement and recognition. The impact of adopting ASU 2014-09 was not material to total revenue without donor restrictions, increase in net assets without donor restrictions, or total net assets.

The Organization adopted FASB ASU 2016-18, *Statement of Cash Flows: Restricted Cash*. This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash and cash equivalents. Due to this change, amounts described as restricted cash are now included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statement of cash flows.

The Organization adopted FASB ASU 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*. This ASU provides guidance on the classification of eight specific cash flow issues. This ASU did not have a significant effect on the Organization's consolidated statement of cash flows.

Use of estimates
The preparation of consolidated 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.

Classification of net assets
The Organization 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 Organization. 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 Organization 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 Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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

Cash and cash equivalents, certificates of deposit and assets limited as to use
The Organization maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally-insured limits. Assets limited as to use include cash and cash equivalents and certificates of deposit which have been designated by the Board of Directors to be used for capital projects. The Organization has not experienced any losses in such accounts. All highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents.

The Organization's bank deposits exceeded Federal Deposit Insurance Corporation limits at various times during the year ended December 31, 2019.

Concentration of credit risk
Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, cash equivalents, certificates of deposit, patient services receivable, Health Home receivable, grants and contracts receivable, assets limited as to use and a subvention receivable. The Organization places its cash, cash equivalents, certificates of deposit and assets limited as to use with high-quality financial institutions. The Organization monitors each financial institution and the concentration of credit risk on a regular basis and does not anticipate nonperformance by the financial institutions.

An allowance for doubtful accounts for Health Home receivable is provided based upon management's assessment of individual accounts, past history of write-offs and collections, and current credit conditions.

Grants and contracts receivable consist of costs under the grant and contract agreements which were incurred prior to year-end for which payment has not been received. Grants and contracts receivable credit risk is limited due to the nature of the grants and contracts. The Organization regularly monitors its grants and contracts receivable by investigating any delayed payments and differences when payments received do not conform to the amount billed. The Organization considers all grants and contracts receivable to be collectible.

The Organization also monitors the collectability of the subvention receivable by reviewing the audited financial statements of the not-for-profit corporation with which the subvention has been placed.

Investments
Investments are reported at their fair values based on quoted prices in active markets in the consolidated statement of financial position. Unrealized gains and losses are included in the changes 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 Organization's investment transactions are made based on its existing investment policy. The Organization invests in a portfolio that contains common shares of publicly traded companies, corporate bonds, government securities, mutual funds and exchange traded 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 investment balances and the amounts reported in the financial statements.

Health Home Development Fund
On March 10, 2015, the Centers for Medicare and Medicaid ("CMS") approved the State Plan Amendment ("SPA") to implement the Health Home Development Fund ("HHDF"). The HHDF is a temporary rate add-on to the per-member, per-month fee. The SPA specified four categories for which the HHDF may be used: member engagement and Health Home promotion, workforce training and retraining, clinical connectivity and health information technology implementation and joint governance and technical assistance. Revenue is recognized in the period when expenditures have been incurred in compliance with the HHDF's restrictions. Cash received in excess of revenue recognized is recorded as deferred revenue. The Organization recognized deferred revenue of $969,226 as of December 31, 2019, which is included in the consolidated statement of financial position.

Property and equipment
Property and equipment are recorded at cost or, if donated, at the fair value at the date of donation. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the assets, ranging from 3 to 40 years. Leasehold improvements are amortized on a straight-line basis over the estimated useful life of the improvement or the term of the lease, whichever is less. The Organization capitalizes all purchases of property and equipment in excess of $500.

Construction in progress is recorded at cost. The Organization capitalizes construction, insurance and other costs during the period of construction. Depreciation and amortization 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 change in net assets.

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

Investments accounted for using the equity method
The Organization has a noncontrolling interest that constitutes more than a minor interest in two limited liability companies. The Organization accounts for its investment in the said entities using the equity method of accounting. The investment amounted to $1,080,149 as of December 31, 2019 and is recorded under security deposits and other assets in the consolidated statement of financial position. The Organization recognized revenue from the investment amounting to $40,964 for the year ended December 31, 2019, which is recorded in other income in the consolidated statement of activities and changes in net assets.

Impairment of long-lived assets
The Organization 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 Organization 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 asset's carrying value and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance and pricing trends. The Organization does not believe that any material impairment currently exists related to its long-lived assets.

Deferred financing costs
Deferred financing costs consist of various expenses the Organization incurred in obtaining long-term financing. These costs are accounted for as a reduction in the related outstanding debt and are amortized using the effective interest rate method. Amortization expense are included in interest expense.

Deferred rent
The Organization occupies certain buildings under leases containing escalation clauses that require normalization of the rental expense over the life of the lease. The resulting deferred rent is reflected in the accompanying consolidated statement of financial position.

Net patient services revenue and receivable
Patient care service revenue is reported at the amount that reflects the consideration to which the Organization 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 Organization 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 Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization 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 outpatient centers. The Organization 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.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB Accounting Standards Codification ("ASC") 606-10-50-14a and, therefore, 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 Organization'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 Organization 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 Organization's policy, and implicit price concessions provided to uninsured patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

i. Agreements with third-party payors typically provide for payments at amounts less than established charges.

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

iii. Medicare - Outpatient services are paid using prospectively determined rates.

iv. 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 networks have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in healthcare networks 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 Organization'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 Organization. In addition, the contracts the Organization 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 Organization'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 2019.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Organization 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 services revenue in the period of the change. For the year ended December 31, 2019, 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 Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization 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 Organization expects to collect based on its collection history with those patients.

The Organization is open to all patients, regardless of their ability to pay. In the ordinary course of business, the Organization renders services to patients who are financially unable to pay for healthcare. The Organization 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 Organization 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 Organization 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 Organization's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Organization 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 Organization is not reimbursed.

Based on the cost of patient services, approximate charity care and community benefit for the year ended December 31, 2019 amounted to $4.1 million and $27.2 million, respectively.

The Organization 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 Organization has elected the practical expedient allowed under FASB ASC 606-10-32-18 and 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 Organization'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 Organization 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.

The Organization has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Organization otherwise would have recognized is one year or less in duration.

Health Home revenue and receivables
The Organization provides care management services to certain patients under Medicaid on a per-patient, per-month type of payment arrangement. Health Home revenue is recorded as earned when services are provided to patients. Health Home receivable is carried at the net collectible amount. Allowance for doubtful receivables is estimated based on historical collection experience. As of December 31, 2019, the Organization has not recorded any allowance for doubtful Health Home receivables.

Contract services and other grants 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 Organization, 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 Organization 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 is 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, 2019, the Organization has received conditional grants and contracts from governmental entities in the aggregate amount of approximately $5,929,000 that have not been recorded in the accompanying consolidated financial statements, as they have not been earned. These grants and contracts require the Organization to provide certain services during specified periods. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants and contracts.

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

340B pharmacy
Pharmacy revenue is generated through the 340B program that the Organization operates both through its agreement with various unaffiliated pharmacies and through its in-house pharmacy that is managed by a third-party administrator. Under this program, the Organization uses the pharmacies and the third-party administrator as the administrative agents for the purpose of managing the pharmacy program. The program allows the Organization to offer discounted medications to eligible patients. The Organization recognizes pharmacy revenue as prescriptions are filled for the self-pay population and upon adjudication from other third-party payors. For the year ended December 31, 2019, the Organization recognized revenue from the 340B program amounting to $7,407,919.

Contributions

Transactions where the resource provider often receive value indirectly by providing a societal benefit, although the societal benefit is not considered to be of commensurate value, are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Organization has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Organization fails to overcome the barrier. The Organization recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as refundable advance.

Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received.

Contributions are recorded as either with donor restrictions or without donor restrictions. Contributions are recognized with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions 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 restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statement of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as contributions without donor restrictions. Contributions received for the purpose of purchasing long-lived assets are deemed with donor restrictions; donor restriction is deemed to have been met when the long-lived asset is put into service.

In-kind contributions

Donated vaccines are recognized in the accompanying consolidated financial statements based on fair value.

Interest earned on federal funds

Interest earned on federal funds is recorded as a payable to the United States Public Health Service (the "PHS") in compliance 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").

Self-funded insurance

The Organization has elected to self-insure certain costs related to employee managed healthcare and pharmacy benefit programs. Costs resulting from noninsured losses are charged to income when incurred. The Organization has purchased insurance that limits its exposure for individual claims.

Functional expenses

The cost of providing the various services and other activities has been summarized on a functional basis in the consolidated statement of functional expenses. Expenses are charged to program or general and administrative based on a combination of specific identification and allocation basis determined by management. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation bases such as time and effort, full time equivalent, and square footage.

Performance indicator
The consolidated statement of activities and changes in net assets includes change in net assets without donor restrictions as the performance indicator. Changes in net assets with donor restrictions which are excluded from the performance indicator include nonoperating revenue - contract services and other grants - capital projects.

Tax status
Both CHN and CHNF were incorporated as a not-for-profit corporation under the laws of the State of New York and are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, there is no provision for income taxes. CHNF has submitted an application for recognition of exemption under Section 501 (c)(3) of the Internal Revenue Code to the Internal Revenue Service ("IRS"). CHNF is awaiting the IRS' approval of the said application. The Organization has no unrecognized tax benefits at December 31, 2019. CHN's federal and state income tax returns prior to fiscal year 2016 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Organization recognizes interest and penalties associated with tax matters as operating expenses and includes accrued interest and penalties with accrued expenses in the consolidated statement of financial position.

Subsequent events
The Organization has evaluated subsequent events through August 27, 2020, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and availability

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

Financial assets at year end	
Cash and cash equivalents	$ 5,695,040
Investments	32,046,132
Patient services receivable, net	5,257,091
Health Home receivable, net	2,343,147
340B pharmacy program receivable	480,773
Grants and contracts receivable	7,300,509
Assets limited as to use	
Cash and cash equivalents	12,712,934
Investments, certificates of deposit, money market and cash	7,741,927
Total financial assets	73,577,553
Less amounts not available to be used within one year	
Debt service reserve	(454,861)
Net assets without donor restrictions designated by the board for capital projects	(20,000,000)
Financial assets available to meet general expenditures over the next 12 months	$ 53,122,692

The Organization's goal is generally to maintain financial assets to meet 180 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments including common shares of publicly traded companies, money market funds, certificates of deposits, corporate bonds, mutual funds and exchange traded funds. The Organization has a $2,500,000 line of credit available to meet cash flow needs.

Note 4 - Cash and cash equivalents and assets limited as to use: cash and cash equivalents

The following table provides a reconciliation of cash and cash equivalents and assets limited as to use: cash and cash equivalents reported within the consolidated statement of financial position that sum to the total of the same such amounts shown in the consolidated statement of cash flows:

Cash and cash equivalents	$ 5,695,040
Assets limited as to use: cash and cash equivalents	12,712,934
Total	$ 18,407,974

Note 5 - Patient services receivable, net

Patient services receivable, net consists of the following:

Medicaid and Medicaid managed care	$ 2,760,763
Medicare	816,766
Private insurance	205,075
Self-pay	39,317
New York State uncompensated care	1,435,170
Total	$ 5,257,091

The Organization's concentration of credit risk relating to patient services receivable primarily relates to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts remain outstanding. The Organization did not recognize any patient receivable impairment or bad debt for the year ended December 31, 2019 based on patient specific impairment events.

The Organization had no allowance for doubtful accounts as of December 31, 2019. The Organization did not write-off any receivables in 2019. The Organization has not changed its charity care or uninsured discount policies during the year ended December 31, 2019. The Organization does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs of receivables from third-party payors.

Note 6 - Grants and contracts receivable

Grants and contracts receivable consists of the following:

U.S. Department of Health and Human Services	$	1,077,231
New York State Department of Health		
Brooklyn Transgender Health Program		45,658
Community Healthcare Network Youth Access Program		39,059
Comprehensive Adolescent Pregnancy Prevention		119,613
Family Planning Program		1,309,195
PrEP - Services in General and HIV Primary Care Settings		41,532
HIV Primary Care Retention and Adherence Services		19,306
TeensPACT Personal Responsibility Education Program		136,304
School Based Health Center Program		26,412
Targeted High Impact HIV Prevention Program		48,299
Family Planning Support		5,000
New York City Department of Health and Mental Hygiene		
Infant Mortality		45,837
Veteran's Program		41,255
Access Health Initiative		42,540
SBHC-RHP Enhanced Contraceptive Health Services Initiative		2,516
New York City Office of Criminal Justice		
Human Trafficking		437,500
Public Health Solutions		
Title X Family Planning Program		99,831
Sexual Behavior Health		178,265
Maternal and Infant Health		60,125
Undetectables Viral Load Suppression Program		41,054
HIV Prevention Program		34,463
City Council Outreach & Education in CBO		39,471
Neutral Linkage and Navigation		52,435
Healthy Start		44,220
Sexual Reproductive Justice		4,485
Expanding Access to Buprenorphine Treatment in Primary Care		149,250
Health Research, Inc.		
Ryan White Part B: MAI/Access to Healthcare		177,271
Ryan White Part B: HIV/AIDS Supporting Services		101,292
New York City Economic Development Corporation		1,231,017
One Brooklyn Health System, Inc.		1,571,098
Other		78,975
Total	$	7,300,509

Note 7 - Investments and fair value measurements

A summary of the Organization's investments as of December 31, 2019 follows:

	Cost	Net unrealized gain (loss)	Fair value
Cash	$ 467,634	$ -	$ 467,634
Certificates of deposit	5,076,061	-	5,076,061
Money market	641,128	-	641,128
Mutual funds	9,214,334	297,158	9,511,492
Exchange traded funds	10,467,194	1,601,746	12,068,940
Corporate bonds	4,677,069	87,875	4,764,944
Common stocks	4,327,362	980,663	5,308,025
Municipal bonds	2,125,373	(213,417)	1,911,956
	$ 36,996,155	$ 2,754,025	39,750,180
Assets limited as to use			
Investments, certificates of deposit, money market and cash			7,741,927
			32,008,253
Accrued interest receivable			37,879
Total			$ 32,046,132

The Organization values its financial assets on a recurring basis based on the price that would be received to sell an asset 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. 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; 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 Organization 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. The following is a description of the valuation methodology used for investments at fair value. There have been no changes in the methodologies used during the year ended December 31, 2019.

Investments in corporate bonds and municipal bonds are valued using similar assets in active markets.

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

Investments in cash, certificates of deposits and money market are valued at cost, which approximates fair value.

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 Organization 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.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments as of December 31, 2019.

	Level 1	Level 2	Level 3	Total
Corporate bonds	$ -	$ 4,764,944	$ -	$ 4,764,944
Exchange traded funds	12,068,940	-	-	12,068,940
Municipal bonds	-	1,911,956	-	1,911,956
Mutual funds	9,511,492	-	-	9,511,492
Common stocks	5,308,025	-	-	5,308,025
Certificates of deposit	-	5,076,061	-	5,076,061
Money market	-	641,128	-	641,128
Cash	467,634	-	-	467,634
Total	$ 27,356,091	$ 12,394,089	$ -	39,750,180
Interest receivable				37,879
				$ 39,788,059

The Organization'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 2019.

Note 8 - Subvention receivable

On September 4, 2014, the Organization entered into a subvention subscription agreement (the "agreement") with Amida Care, Inc. ("Amida Care"), a not-for-profit corporation. The agreement was entered into in accordance with Sections 504 and 505 of the New York Not-for-Profit Corporation Law ("NPCL"). Pursuant to the agreement, the Organization made payments to Amida Care amounting to $1,000,000 in exchange for a subvention certificate. The subvention certificate will be repayable to the Organization provided that the Organization is in compliance with the agreement, with its participating provider agreement with Amida Care, and with any material obligations it owes to Amida Care; the repayment of the subvention receivable is subject to approval by the board and/or members of Amida Care and regulatory approval by the Commissioner of Health. The

amount payable to the Organization shall be the subvention amount plus any additional subvention made multiplied by the base rate (4.75% as of December 31, 2019). The base rate is calculated as 1% plus the prime interest rate as announced by *The Wall Street Journal* (5.75% as of December 31, 2019) subject to the maximum rate which is 2/3 of the maximum interest rate authorized pursuant to Section 5-501 of the New York General Obligations Law or 4%. The interest shall accrue in a non-compounded manner. For the year ended December 31, 2019, the Organization recognized interest revenue from the subvention receivable amounting to $40,000 which is included in interest income in the consolidated statement of activities and changes in net assets and in prepaid expenses and other current assets in the consolidated statement of financial position.

The subvention certificate qualifies the Organization as a Class B Member of Amida Care, provided the Organization continues to participate in Amida Care's managed care program in accordance with its participating provider agreement. Termination of the participating provider agreement shall be construed as the Organization's withdrawal as a Class B Member of Amida Care.

Note 9 - Loan receivable

As a result of the New Markets Tax Credit ("NMTC") financing structure described in Note 12, the Organization is the holder of a promissory note with Chase NMTC CHN Investment Fund (the "Investment Fund") effective December 31, 2019, for the face value of $7,141,000. The promissory note bears interest of 1.37% per annum and is due in interest only payments, payable in quarterly installments commencing March 10, 2020 and in successive quarterly installments through December 10, 2026. The unpaid principal balance will be paid commencing on March 10, 2028 until maturity date of March 31, 2046 in successive quarterly installments of $110,678.

Note 10 - Property and equipment, net

Property and equipment, net, consist of the following:

Land	$ 37,931
Building and building improvements	15,831,089
Leasehold improvements	8,130,660
Furniture and equipment	11,922,385
Subtotal	35,922,065
Less accumulated depreciation and amortization	(28,228,387)
Subtotal	7,693,678
Construction in progress	3,125,593
Total	$ 10,819,271

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

No depreciation has been provided on assets classified as construction in progress as these assets have not yet been placed in service.

As of December 31, 2019, the Organization has the following future commitments for construction contracts:

Project	Type of project	Estimated cost to complete	Estimated date of completion
DBS Health Center Project	Construction of a new building	$ 4,421,705	December 2020
Jamaica Project	Site design	340,000	June 2021
Williamsburg Staff Lounge Project	Façade replacement	3,000	December 2020
Harlem Project	Internal renovations	15,000	December 2020
		$ 4,779,705	

Note 11 - Line of credit

The Organization has a revolving line of credit with a bank in the amount of $2,500,000 maturing on October 31, 2020. Interest is charged on any outstanding balance at the greater of 4% or the prime rate plus 0.50% (5.25% as of December 31, 2019). The line of credit is secured by a first security interest in all business assets of the Organization. There was no amount outstanding on the line of credit at December 31, 2019.

Note 12 - New Markets Tax Credit transactions

On December 31, 2019 (the "closing date"), CHN entered into a NMTC financing agreement with various entities for the purpose of receiving financing to develop and construct Dr. Betty Shabazz Health Center on a certain real property located at 999 Blake Avenue, Brooklyn, New York (the "Qualified Purpose" or the "Project"). The NMTC structure consists of NMTC investors and other lenders that provide qualified equity investments ("QEIs") to designated community development entities ("CDEs"), who, in turn, provide debt financing to qualified active low-income community businesses ("QALICB"). A NMTC program permits taxpayers, who have made quality equity investments in CDEs, to receive a credit against their federal income taxes.

On the closing date, CHNF entered into a leverage loan agreement and a promissory note (the "Leverage Loan") through which CHNF loaned $7,141,000 to the Investment Fund, maturing on March 31, 2046 and bearing a fixed interest rate of 1.365% per annum (see Note 9 for more details). The leverage loan is secured by a Pledge Agreement between CHNF and the Investment Fund, also dated December 31, 2019; the agreement stipulates that the leverage loan is secured by the (1) Investment Fund's membership interests in NYCNCC Sub-CDE 7, LLC, ("Sub-CDE") a New York LLC created as part of the NMTC transaction, and by the (2) Investment Fund's right to receive any and all cash or property distributions solely with respect and attributable to its interest in the Sub-CDE.

On closing date, CHN entered into an Indemnification Agreement with JP Morgan Chase N.A., the sole member of Chase Community Equity, LLC ("CCE"). CCE is the sole member of Chase NMTC CHN Investment Fund, LLC, the recipient of the Leverage Loan. Using the proceeds from the Leverage Loan and from a $3,159,000 tax credit equity contribution from CCE and pursuant to an operating agreement dated December 27, 2019, Chase NMTC CHN Investment Fund, LLC ("Investor Member") made a capital contribution (the "Equity Investment") to NYCNCC Sub-CDE 7, LLC ("Sub-CDE") amounting to $10,000,000 in exchange for a 99.99% interest in the Sub-CDE. NYC Neighborhood Capital Corporation also made a $1,000 contribution to the Sub-CDE in

exchange for a 1% interest. The Sub-CDE used the Equity Investment partly to pay $200,000 sponsor fee to NYC Neighborhood Capital Corporation and partly to make two loans to CHN: Promissory Note Loan A and Promissory Note Loan B with a total face value of $9.8 million to CHN (see Note 13).

On closing date, JP Morgan Chase, N.A., Sub-CDE and CHN entered into an Account Pledge and Control Agreement which stipulated that CHN deposit $454,444 into a reserve account, subject to the control and direction of the Sub-CDE for the reimbursement of certain fees and expenses in accordance with the loan agreement. The reserve account amounted to $454,861 as of December 31, 2019 and is presented in the consolidated statement of financial position as assets limited as to use: cash and cash equivalents.

This structure will stay in effect for a period of seven years, until December 1, 2026 when the NMTC period expires.

On closing date, CCE and CHNF entered into a Put and Call Option Agreement under which, CCE has the option to dispose of its interest in the Investment Fund and CHNF has the option to acquire such membership interest at the end of the tax credit investment period, for a purchase price of $1,000 plus the sum of any excise tax imposed on the transfer of interest. If the aforementioned option is exercised, CHNF will then become owner of the Investment Fund and will then indirectly own $9,800,000 worth of QLICI notes to CHN. CHNF may forgive such debt with no tax consequences to itself and CHN because they are both tax exempt entities. At the time of the NMTC compliance period, CHNF will have approximately $7,141,000 of outstanding leverage loan receivable.

Note 13 - Long-term debt

Long-term debt consists of the following:

Promissory Note Loan A - with a face amount $7,141,000 and maturity date of December 31, 2049 bearing interest at 1% per annum. Quarterly interest payments shall be made every March 1, June 1, September 1, and December 1 of each year through December 1, 2026. Commencing on March 1, 2027, through December 1, 2049, all unpaid principal and interest shall be paid quarterly on a level quarterly payment amounting to $86,984. The loan is secured by security interest in all rights, title and interest in all deposit accounts, letter of credit rights, commercial tort claims, supporting obligations, investment property, security entitlement, general intangibles and equipment arising from the loan proceeds and assignment of contracts.	$ 7,141,000

Promissory Note Loan B - with a face amount of $2,659,000 and maturity date of December 1, 2049, bearing interest at 1% per annum. Quarterly interest payments shall be made every March 1, June 1, September 1, and December 1 of each year through December 1, 2026. Commencing on March 1, 2027 through December 1, 2049, all unpaid principal and interest shall be paid quarterly on a level quarterly payment amounting to $32,389. The loan is secured by security interest in all rights, title and interest in all deposit accounts, letter of credit rights, commercial tort claims, supporting obligations, investment property, security entitlement, general intangibles and equipment arising from the loan proceeds and assignment of contracts.	2,659,000
Total loan	9,800,000
Less debt issuance costs	458,999
	$ 9,341,001

The proceeds from the two long-term debts were deposited in bank accounts restricted for purposes of financing the Project (see Note 12).

There are no principal payments due on the long-term debt in each of the next five years.

The Organization is required to comply with certain covenants under its building loan agreement.

Debt issuance costs are reported in the consolidated statement of financial position as a direct deduction from the face amount of the related debt. The amortization of debt issuance costs will be reported as interest expense in the consolidated statement of activities and changes in net assets.

There was no amortization of debt issuance costs recognized in 2019.

Note 14 - Contract services and other grants revenue

Contract services and other grants revenue consists of the following:

New York State Department of Health	
Family Planning Program	$ 4,466,161
Comprehensive Adolescent Pregnancy Prevention	329,522
Youth Access Program	367,736
Primary Care HIV Program	369,065
Brooklyn Transgender Health Program	181,869
PrEP - Clinics in High Need Areas	24,281
HIV Primary Care Retention and Adherence Services	187,120
Health Home Development Fund	3,873,326
Delivery System Reform Incentive Program (DSRIP)	1,367,662
TeensPACT Personal Responsibility Education Program	375,308
Targeted High Impact HIV Prevention Program	307,045

New York City Department of Health and Mental Hygiene	
Infant Mortality	70,418
School Health Program	152,859
Access Health	124,034
Veteran's Program	114,360
SBHC-RHP Enhanced Contraceptive Health Services Initiative	20,000
Health Research, Inc.	
Ryan White Part B: HIV/AIDS Supporting Services	307,893
ADAP Outreach and Enrollment in Health Care	166,858
Public Health Solutions	
Title X	239,724
Sexual Behavior Health	459,615
Maternal and Infant Health	124,573
Buprenorphine Treatment in Primary Care	308,250
Undetectables Viral Load Suppression Program	145,764
One City Health DSRIP Performing Provider System	233,105
Viral Hepatitis Prevention	79,539
Healthy Start	44,220
Outreach and Education in CBOs	110,966
Status Neutral Linkage and Navigation in Clinical Settings	226,758
Sexual Reproductive Justice	19,442
The Council of City of New York - Human Trafficking Initiative	262,500
United Hospital Fund	38,889
Ira W. Decamp Foundation	2,100
Samuels Foundation	142,793
Altman Foundation	12,390
Zerotothree.org	178,243
Other	455,273
Total operating	15,889,661
Nonoperating revenue	
New York City Economic Development Corporation	1,231,017
One Brooklyn Health System, Inc.	1,571,098
Total nonoperating	2,802,115
Total	$ 18,691,776

Note 15 - DHHS grants

The Organization recognized grant revenue from the DHHS as follows:

Grant number	Grant period	Total grant amount	Total revenue recognized
6 H80CS00597-17-12	5/1/19 - 4/30/20	$ 6,914,910	$ 2,594,118
6 H80CS00597-18-10	5/1/19 - 4/30/20	7,741,568	4,195,096
6 H76HA00049-28-01	1/1/19 -12/31/19	851,487	851,487
		$ 15,507,965	$ 7,640,701

Note 16 - Patient services revenue, net

The Organization recognizes patient services revenue associated with services provided to patients who have Medicaid, Medicare, third-party payor and Managed Care plans coverage on the basis of contractual rates for services rendered. For uninsured self-pay patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates if negotiated or provided by the Organization's policy. Charity care services are computed using a sliding fee scale based on patient income and family size. On the basis of historical experience, a significant portion of the Organization's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Organization records an implicit discount or contractual allowance related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts, recognized in the period from these major payor sources, is as follows:

Medicaid and Medicaid managed care	$ 29,546,970
Medicare	1,161,415
Private insurance	2,267,474
Self-pay	368,726
New York State uncompensated care	2,846,953
Total	$ 36,191,538

Medicaid and Medicare revenue is reimbursed to the Organization at the net reimbursement rates determined by each program. Reimbursement rates are subject to revisions under the provision of reimbursement regulations. Adjustments for such revisions are recognized in the fiscal year incurred.

Note 17 - Pension plans

The Organization sponsors a contributory 403(b) Tax-Sheltered Annuity Savings and Retirement Plan (the "403(b) plan") for all employees meeting certain eligibility requirements. Contributions to the plan are based on elective deferrals and discretionary employer contributions. The Organization accrued employer contributions to the 403(b) plan of $454,804 as of and for the year ended December 31, 2019, which is included in accrued compensation in the consolidated statement of financial position. The accrual of employer contribution as of December 31, 2019 was made only for employees who are participating in a union as stipulated in the collective bargaining agreement (see Note 21).

Note 18 - Leases

There are lease agreements which provide for occupancy of properties or usage of a vehicle with expiration dates through 2027. For the year ended December 31, 2019, rent expense amounted to $2,658,626. Future minimum lease payments in each of the five years subsequent to December 31, 2019 and thereafter are as follows:

2020	$ 2,914,612
2021	2,909,793
2022	2,286,479
2023	2,147,771
2024	1,823,958
Thereafter	22,100,523
	$ 34,183,136

The leases for 14 of the Organization's spaces include scheduled base rent increases over the term of the leases. The total amount of the base rent payments is being charged to expense on the straight-line method over the term of the leases. The Organization has recorded deferred rent to reflect the excess of rent expense over payments since inception of the lease.

Note 19 - Due to third party

Due to third party pertains to amounts owed to a vendor operating and managing the 340B program. As of December 31, 2019, the Organization has a payable of $358,333 to the third party which is the outstanding balance of a $491,667 noninterest-bearing loan, payable over a period of five years, amortized monthly in the amount of $8,333. Total payments due to the third party within one year subsequent to December 31, 2019 amount to $100,000.

Note 20 - Related party transactions

On August 1, 2013, the Organization entered into an operating agreement with four other entities to provide for the organization and continuation of Queens Coordinated Care Partners, LLC ("QCCP"). As a member organization, the Organization contributed $150,000 cumulatively through December 31, 2018 for QCCP's capitalization. There was no revenue earned from the Organization's investment in QCCP for the year ended December 31, 2019. As of December 31, 2019, the Organization's investment in QCCP amounted to $181,136, which is included in security deposits and other assets in the consolidated statement of financial position. The Organization recognized $1,079,707 Health Home revenue as a downstream participating provider under QCCP's lead health home agency for the year ended December 31, 2019. As of December 31, 2019, the Organization has an outstanding Health Home receivable from QCCP amounting to $127,727.

In 2012, the Organization entered into an operating agreement with seven other entities to provide for the organization and continuation of Community Care Management Partners, LLC ("CCMP"). As a member organization, the Organization contributed $164,138 for CCMP's capitalization. The Organization recognized $40,964 in revenue from its investment in CCMP for the year ended December 31, 2019, which is recorded under other income in the consolidated statement of activities and changes in net assets and as an increase in the investment in CCMP. As of December 31, 2019, the Organization's investment in CCMP amounted to $899,013, which is

included in security deposits and other assets in the consolidated statement of financial position. The Organization recognized $795,743 Health Home revenue as a downstream participating provider under CCMP's lead Health Home agency for the year ended December 31, 2019. As of December 31, 2019, the Organization has an outstanding Health Home receivable from CCMP amounting to $70,309.

Note 21 - Concentration of source or supply of labor

Approximately 69% of the Organization's employees are members of the 1199SEIU United Healthcare Workers East (the "union"). The Organization's contract with the union was renegotiated in 2018 and expired on June 30, 2020. The provisions of the current contract remain in force until a new agreement is reached. The Organization's other employees are not represented by a union.

Note 22 - Commitments and contingencies

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

The Organization provides medical and prescription insurance coverage for all eligible employees. Under the terms of the insurance policy, the Organization is at risk for covered claims submitted, not to exceed $175,000 per person, per year. The Organization is indemnified for claims in excess of approximately $8.868 million in the aggregate by the stop-loss insurance policy coverage. As of December 31, 2019, the Organization has recorded $626,000 of claims liability in relation to the medical and prescription insurance; it is included in accounts payable and accrued expenses in the consolidated statement of financial position.

The Organization maintains its medical malpractice coverage under the Federal Tort Claims Act ("FTCA"). FTCA provides malpractice coverage to eligible PHS-supported programs and applies to CHN and its employees while providing services within the scope of employment included under grant-related activities. The Attorney General, through the U.S. Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage.

The Organization purchases professional and general liability insurance to cover medical malpractice claims in excess of the FTCA coverage. There are no known claims or incidents that may result in the assertion of additional claims arising from services provided to patients as of December 31, 2019.

The Organization is involved in other claims and legal actions in the ordinary course of business. Management is of the opinion that the ultimate outcome of these matters would not have a material adverse impact on the Organization's consolidated financial position, results of operations or cash flows.

Note 23 - Subsequent events

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

Supplementary Information

Community Healthcare Network, Inc.
and Community Healthcare Network Foundation, Inc.

Consolidating Statement of Financial Position
December 31, 2019

	Assets			
	Community Healthcare Network, Inc.	Community Healthcare Network Foundation, Inc.	Eliminations	Total Consolidated
Current assets				
Cash and cash equivalents	$ 5,693,783	$ 1,257	$ -	$ 5,695,040
Investments	32,046,132	-	-	32,046,132
Patient services receivable, net	5,257,091	-	-	5,257,091
Health Home receivable	2,343,147	-	-	2,343,147
340B pharmacy program receivable, net	480,773	-	-	480,773
Grants and contracts receivable	7,300,509	-	-	7,300,509
Prepaid expenses and other current assets	1,380,015	-	-	1,380,015
Total current assets	54,501,450	1,257	-	54,502,707
Assets limited as to use				
Cash and cash equivalents	12,712,934	-	-	12,712,934
Investments, certificates of deposit, money market and cash	7,741,927	-	-	7,741,927
Total assets limited to use	20,454,861	-	-	20,454,861
Subvention receivable	1,000,000	-	-	1,000,000
Loan receivable	-	7,141,000	-	7,141,000
Due from related party	7,142,000	-	(7,142,000)	-
Property and equipment, net	10,819,271	-	-	10,819,271
Security deposits and other assets	2,114,699	-	-	2,114,699
Total assets	$ 96,032,281	$ 7,142,257	$ (7,142,000)	$ 96,032,538
	Liabilities and Net Assets			
Current liabilities				
Accounts payable and accrued expenses	$ 4,867,114	$ -	$ -	$ 4,867,114
Accrued compensation	3,039,460	-	-	3,039,460
Health Home payables	2,623,033	-	-	2,623,033
Health Home Development Fund advances	969,226	-	-	969,226
Refundable advance	825,859	-	-	825,859
Due to third party, current maturities	100,000	-	-	100,000
Total current liabilities	12,424,692	-	-	12,424,692
Long-term liabilities				
Deferred rent	873,240	-	-	873,240
Due to related party	-	7,142,000	(7,142,000)	-
Due to third party, less current maturities	258,333	-	-	258,333
Long-term debt, less current maturities	9,341,001	-	-	9,341,001
Total long-term liabilities	10,472,574	7,142,000	(7,142,000)	10,472,574
Total liabilities	22,897,266	7,142,000	(7,142,000)	22,897,266
Commitments and contingencies				
Net assets				
Without donor restrictions	50,332,900	257	-	50,333,157
Without donor restrictions - board-designated	20,000,000	-	-	20,000,000
With donor restrictions	2,802,115	-	-	2,802,115
Total net assets	73,135,015	257	-	73,135,272
Total	$ 96,032,281	$ 7,142,257	$ (7,142,000)	$ 96,032,538

See Notes to Consolidated Financial Statements.

Community Healthcare Network, Inc.
and Community Healthcare Network Foundation, Inc.

Consolidating Statement of Activities and Changes in Net Assets
Year Ended December 31, 2019

	Community Healthcare Network, Inc.	Community Healthcare Network Foundation, Inc.	Eliminations	Total Consolidated
Revenue without donor restrictions				
Patient services (net of contractual allowances and discounts)	$ 36,191,538	$ -	$ -	$ 36,191,538
Health Home revenue	18,401,363	-	-	18,401,363
Contract services and other grants	15,889,661	-	-	15,889,661
DHHS grants	7,640,701	-	-	7,640,701
340B pharmacy	7,407,919	-	-	7,407,919
Donated vaccines	731,678	-	-	731,678
Investment return, net	5,128,157	-	-	5,128,157
Other income	936,254	257	-	936,511
Total revenue without donor restrictions	92,327,271	257	-	92,327,528
Operating expenses				
Salaries and related benefits	58,088,664	-	-	58,088,664
Other than personnel services	37,363,620	-	-	37,363,620
Total operating expenses	95,452,284	-	-	95,452,284
Operating loss prior to depreciation and amortization	(3,125,013)	257	-	(3,124,756)
Depreciation and amortization	1,642,173	-	-	1,642,173
Change in net assets without donor restrictions	(4,767,186)	257	-	(4,766,929)
Change in net assets with donor restrictions				
Nonoperating revenue - contract services and other grants - capital projects	2,802,115	-	-	2,802,115
Changes in net assets	(1,965,071)	257	-	(1,964,814)
Net assets, beginning	75,100,086	-	-	75,100,086
Net assets, end	$ 73,135,015	$ 257	$ -	$ 73,135,272

See Notes to Consolidated Financial Statements.

Community Healthcare Network, Inc.

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying 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 Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	N/A	$ -	$ 1,937,605
Grants for New and Expanded Services under the Health Center Program	93.527	N/A	-	4,851,609
Total Health Center Program Cluster			-	6,789,214
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	-	851,487
Subtotal U.S. Department of Health and Human Services Direct Programs			-	7,640,701
U.S. Department of Health and Human Services				
Pass-Through Programs from				
New York State Department of Health				
Family Planning Services	93.217	C027018	-	205,115
Public Health Solutions				
Family Planning Services	93.217	18-TLX-519	-	157,922
Total 93.217			-	363,037
New York State Department of Health				
Maternal and Child Health Services Block Grant to the States	93.994	C027018; C32110GG; C32387GG	-	254,940
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	C32083GG	-	375,308
Medicaid Cluster				
Medical Assistance Program	93.778	C32110GG	-	155,633
Total Medicaid Cluster			-	155,633
Public Health Solutions				
HIV Prevention Activities Health Department Based	93.940	13-SBH-519; 18-NCT-519	-	461,713
Healthy Start Initiative	93.926	19-HSQ-519	-	44,220
				505,933
Health Research, Inc.				
HIV Care Formula Grants	93.917	5340-03/5340-04; 5191-04/5191-05; 5185-04/5185-05; 5816-03	-	448,136
Special Projects of National Significance	93.928	5816-02		26,615
New York City Department of Health and Mental Hygiene				
Immunization Cooperative Agreements	93.268	Not Available	-	731,678
Total expenditures of federal awards			$ -	$ 10,501,981

See Notes to Schedule of Expenditures of Federal Awards.

Community Healthcare Network, Inc.

Notes to Schedule of Expenditures of Federal Awards
December 31, 2019

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Community Healthcare Network, Inc. ("CHN") 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 CHN, it is not intended to and does not present the financial position, change in net assets, or cash flows of CHN.

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 reimbursement. CHN elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Nonmonetary assistance

Donated and nonmonetary assistance is reported in the Schedule at the fair value of the vaccinations received. The total federal share of vaccinations distributed by CHN amounted to $731,678 and is included in the consolidated statement of activities and changes in net assets. It is also included in the Schedule.

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
Community Healthcare Network, Inc.
and Community Healthcare Network Foundation, 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 consolidated financial statements of Community Healthcare Network, Inc. ("CHN") and Community Healthcare Network Foundation, Inc. (collectively, the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated August 27, 2020. The financial statements of Community Healthcare Network Foundation, Inc. were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Community Healthcare Network Foundation, Inc.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CHN'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 CHN's internal control. Accordingly, we do not express an opinion on the effectiveness of CHN'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CHN'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-001.

CHN's Response to Findings

CHN's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. CHN's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

CohnReznick LLP

New York, New York
August 27, 2020

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
Community Healthcare Network, Inc.

Report on Compliance for Each Major Federal Program

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

Opinion on Each Major Federal Program

In our opinion, CHN 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

CohnReznick

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

Report on Internal Control over Compliance

Management of CHN 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 CHN'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 CHN's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identity a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

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

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

CohnReznick LLP

New York, New York
August 27, 2020

Community Healthcare Network, Inc.

Schedule of Findings and Questioned Costs
Year Ended December 31, 2019

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
	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)
93.527	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

Section II - Financial Statement Findings

Finding 2019-001: Sliding Fee Discounts

See Finding 2019-001 in Section III, noted below.

Section III - Federal Award Findings and Questioned Costs

Finding 2019-001: Sliding Fee Discounts: U.S. Department of Health and Human Services, Health Center Program Cluster: Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) (CFDA 93.224) and Grants for New and Expanded Services Under the Health Center Program (CFDA 93.527)

Criteria: 2 CFR Part 200 Appendix XI or the Compliance Supplement requires that health centers must prepare and apply a sliding fee discount schedule so that the amounts owed for health center services by eligible patients are adjusted (discounted) based on the patient's ability to pay.

Statement of Condition: Two out of the twenty-five samples tested were slid using incorrect sliding fee scale schedule; one sample had an incorrect family size coded into the system causing the patient to be incorrectly slid; one sample did not have a proof of income or patient registration support in the system, thus, it could not be verified if the patient was properly slid.

Statement of Cause: The exceptions were mainly due to human error on the part of the employees calculating the sliding fee scale level for the patients. In terms of the sample without proof of income or patient registration support, the cause was difficulty in obtaining patient information when operating in a mobile van site.

Effect: Four patients may have been incorrectly slid and may have had to pay an incorrect amount of fee charged to them.

Questioned Costs: None

Identification of Repeat Finding: No

Recommendation: We recommend that training be provided to employees who perform the calculation of sliding fee scale levels. Moreover, CHN should implement a process for reviewing the sliding fee scale calculated and coded into the system.

Management Response: Management concurs with the finding and stated that procedures will be implemented to help prevent the same errors from recurring.

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Affiliated with
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Community Healthcare Network

Health Resources and Services Administration

Community Healthcare Network, Inc. respectfully submits the following corrective action plan for the year ended December 31, 2019.

CohnReznick LLP
1301 Avenue of the Americas
New York, NY 10019

Audit Period: December 31, 2019

The findings from the December 31, 2019 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2019-001 – Sliding Fee Discounts

SIGNIFICANT DEFICIENCY

See Finding 2019-001 below for recommendation and corrective action taken.

FINDINGS – FEDERAL AWARDS PROGRAM AUDIT
U.S. Department of Health and Human Services, Health Centers Cluster Programs (CFDA 93.224/93.527)

Finding 2019-001 – Sliding Fee Discounts

We recommend that training be provided to employees who perform the calculation of sliding fee scale levels. Moreover, CHN should implement a process for reviewing the sliding fee scale calculated and coded into the system.

Action Taken

This finding was corrected on August 20, 2020. The corrective action taken was twofold. Firstly, internal audits will take place on a quarterly basis to review self-pay visits that were slid and self-pay visits that were not slid by site. The results of these audits will be used to retrain staff or revisit internal processes, as needed. The internal audit will be a cooperative process between finance, front desk and billing. The second action taken is to reconfigure CHN's EMR to incorporate all of the sliding fee scales to automatically calculate a patient's discount.

If the Health Resources and Services Administration has questions regarding this plan, please call Alan Wengrofsky, CFO at 212-545-2481.

Sincerely yours,

Signature: Alan Wengrofsky

Name: Alan Wengrofsky

Title: Chief Financial Officer