

GREATER PHILADELPHIA HEALTH ACTION, INC.

**REPORT ON AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018
WITH REPORTS ON
INTERNAL CONTROLS AND ON COMPLIANCE**

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TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT ON FINANCIAL STATEMENTS.....	1
STATEMENTS OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES 2019	4
STATEMENT OF ACTIVITIES 2018	5
STATEMENT OF FUNCTIONAL EXPENSES 2019.....	6
STATEMENT OF FUNCTIONAL EXPENSES 2018.....	7
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	16
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	17
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 <i>GOVERNMENT AUDITING STANDARDS</i>	18
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE	20
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	23



BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Directors
Greater Philadelphia Health Action, Inc.
Philadelphia, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Greater Philadelphia Health Action, Inc. (GPHA), a nonprofit organization, which comprise the statement of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GPHA as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2020 on our consideration of GPHA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GPHA's internal control over financial reporting and compliance.



Greenbelt, Maryland
May 29, 2020

GREATER PHILADELPHIA HEALTH ACTION, INC.
Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets		
Cash (Note 2)	\$ 3,472,128	\$ 7,168,639
Accounts receivable, Daycare (Note 3)	150,810	160,809
Accounts receivable, net capitation and referrals (Note 2 and Note 4)	23,758,139	16,833,754
Accounts receivable, Wraparound (Note 5)	5,697,943	1,592,666
Accounts receivable, other	1,505,275	2,213,698
Prepaid expenses	108,689	94,754
Pharmacy inventory	624,821	664,569
2015 Bond Proceeds unrealized Gain/Loss	-	-
2015 Bond Proceeds Accrued Interest	6,466	10,413
Total current assets	35,324,271	28,739,302
Property and equipment, net (Note 2 and Note 6)		
Land	91,891	91,891
Capital leases	386,835	354,319
Capitalized loan costs	4,057,424	4,057,424
Construction in progress	535,734	193,633
Medical practice purchase	1,099,631	1,099,631
Building and improvements	39,507,687	39,307,076
Furniture and equipment	6,521,571	6,483,900
Less accumulated depreciation & amortization	(19,814,546)	(17,671,840)
Total property and equipment, net	32,386,227	33,916,034
Other assets		
2015 Bond Proceeds to be Expended	6,626,270	6,693,341
Total assets	\$ 74,336,768	\$ 69,348,677
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,966,556	\$ 1,801,241
Accrued payroll and related expenses	3,282,182	3,148,514
Line of Credit Payable	5,000,000	-
Capital lease obligations	28,527	-
Bonds payable (Note 7)	540,000	500,000
Total current liabilities	11,817,265	5,449,755
Noncurrent liabilities		
Mortgage Note Payable	1,923,926	1,970,966
Bonds payable (Note 7)	48,780,000	50,350,000
Total Liabilities	62,521,191	57,770,721
Net assets		
Without Donor Restrictions	11,815,577	11,577,956
With Donor Restrictions	-	-
Total net assets	11,815,577	11,577,956
Total liabilities and net assets	\$ 74,336,768	\$ 69,348,677

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

GREATER PHILADELPHIA HEALTH ACTION, INC.
Statement of Activities
For the Year Ended December 31, 2019

	<u>Net Assets without Donor Restrictions</u>	<u>Net Assets with Donor Restrictions</u>	<u>Total</u>
Revenue and support:			
Federal grants	\$ -	\$ 9,089,473	\$ 9,089,473
Patient services	47,672,613	-	47,672,613
PPS Rate Adjustment 2018	1,378,685	-	1,378,685
Pharmacy income	8,113,801	-	8,113,801
Interest income	133,110	-	133,110
Other	210,685	-	210,685
Daycare fees and support			
Grants and contracts		377,355	377,355
Fees		60,943	60,943
Net assets released from restrictions	9,527,771	(9,527,771)	-
Total revenue and support	<u>67,036,665</u>	<u>-</u>	<u>67,036,665</u>
Expenses:			
Program services			
Public Health Service	28,479,105	-	28,479,105
DHHS-HIV	1,115,911	-	1,115,911
Al-Assist	10,165,618	-	10,165,618
Daycare	1,164,412	-	1,164,412
Dental	5,592,971	-	5,592,971
	<u>46,518,017</u>	<u>-</u>	<u>46,518,017</u>
Management and general	18,097,229	-	18,097,229
Total expenses before other expense	<u>64,615,246</u>	<u>-</u>	<u>64,615,246</u>
Change in net assets before other expenses	2,421,419	-	2,421,419
Loss on disposal of assets	1,374	-	1,374
Depreciation	2,182,424	-	2,182,424
Change in net assets	<u>237,621</u>	<u>-</u>	<u>237,621</u>
Net Assets, December 31, 2018	11,577,956	-	11,577,956
Net Assets, December 31, 2019	<u>\$ 11,815,577</u>	<u>\$ -</u>	<u>\$ 11,815,577</u>

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

GREATER PHILADELPHIA HEALTH ACTION, INC.
Statement of Activities
For the Year Ended December 31, 2018

	<u>Net Assets without Donor Restrictions</u>	<u>Net Assets with Donor Restrictions</u>	<u>Total</u>
Revenue and support:			
Federal grants	\$ -	\$ 11,119,467	\$ 11,119,467
Patient services	42,160,070	-	42,160,070
EHR Incentive	318,750	-	318,750
Pharmacy income	7,289,084	-	7,289,084
Rental income	9,982	-	9,982
Interest income	101,628	-	101,628
Other	451,319	-	451,319
Event income	1,875	-	1,875
Daycare fees and support			
Grants and contracts	-	540,357	540,357
Fees	-	85,697	85,697
Net assets released from restrictions	<u>11,745,521</u>	<u>(11,745,521)</u>	<u>-</u>
Total revenue and support	<u>62,078,229</u>	<u>-</u>	<u>62,078,229</u>
Expenses:			
Program services			
Public Health Service	28,187,090	-	28,187,090
DHHS-HIV	396,365	-	396,365
Al-Assist	8,241,700	-	8,241,700
Daycare	1,454,534	-	1,454,534
Dental	<u>5,087,505</u>	<u>-</u>	<u>5,087,505</u>
	43,367,194	-	43,367,194
Management and general	<u>17,985,412</u>	<u>-</u>	<u>17,985,412</u>
Total expenses before other expense	<u>61,352,606</u>	<u>-</u>	<u>61,352,606</u>
Change in net assets before other expenses	725,623	-	725,623
Loss on disposal of assets	6,649	-	6,649
Depreciation	2,025,054	-	2,025,054
Other Change in Net Assets			
Unrealized gain/loss 2015 Bond Proceeds	<u>(19,651)</u>	<u>-</u>	<u>(19,651)</u>
Change in net assets	<u>(1,286,429)</u>	<u>-</u>	<u>(1,286,429)</u>
Net Assets, December 31, 2017	12,864,385	-	12,864,385
Net Assets, December 31, 2018	<u>\$ 11,577,956</u>	<u>\$ -</u>	<u>\$ 11,577,956</u>

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

GREATER PHILADELPHIA HEALTH ACTION, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2019

	A	B	C	D	E	Total	Management & General	Total 2019
Salary & Wages	\$ 12,737,372	\$ 900,863	\$ 4,478,958	\$ 680,617	\$ 3,328,337	\$22,126,147	\$ 7,088,545	\$29,214,692
Fringe Benefits	1,762,025	206,622	1,102,414	112,462	419,659	3,603,182	2,197,077	5,800,259
Professional Fees	(1,786)	-	374	3,592	(1,961)	219	148,428	148,647
Consultant & Contractual	5,361,415	-	15,783	5,713	-	5,382,911	160,686	5,543,597
Temporary Office Services	1,101,862	-	1,601,942	31,645	218,156	2,953,605	636,319	3,589,924
Security & Transportation	60,754	-	39,726	3,490	7,650	111,620	43,934	155,554
Translation Services	55,141	-	165	-	526	55,832	361	56,193
Laboratory Fees	488,480	-	966	-	235,091	724,537	511	725,048
Referral Costs	60,285	-	-	-	-	60,285	-	60,285
Medical Supplies	1,626,260	8,243	10,710	7,919	32,979	1,686,111	14,939	1,701,050
Dental Supplies	13,810	-	2,140	-	452,274	468,224	-	468,224
Office Supplies	196,659	-	43,663	36,292	60,003	336,617	408,302	744,919
Recruitment	-	-	-	-	-	-	8,225	8,225
Marketing Expense	10,620	-	698	600	976	12,894	141,599	154,493
Insurance & Bonding	-	-	-	1,459	-	1,459	462,516	463,975
Data Processing	587,556	-	120,281	4,701	125,912	838,450	1,674,730	2,513,180
Space Rental	252,975	-	36,246	130,272	10,232	429,725	281,247	710,972
Equipment Rental/Lease	(505)	-	3,221	1,242	84	4,042	267,927	271,969
Repair & Maintenance	306,593	-	103,344	25,594	89,386	524,917	47,885	572,802
Cleaning	836,212	-	152,966	68,163	187,728	1,245,069	153,578	1,398,647
Utilities	277,590	-	124,417	29,962	63,684	495,653	48,394	544,047
Telephone	117,560	-	50,613	9,541	28,884	206,598	186,490	393,088
Travel, Conference, Meetings	114,632	183	13,697	7,090	4,350	139,952	293,036	432,988
Taxes & License	43,128	-	42,786	1,075	12,188	99,177	38,148	137,325
Subscription & Dues	6,369	-	4,855	159	4,926	16,309	44,536	60,845
Interest & Bank Charges	22,995	-	6,433	1,534	5,679	36,641	3,672,781	3,709,422
Noncapitalized Equipment & Furniture	4,178	-	1,013	-	-	5,191	-	5,191
Bad Debt Expense	2,437,237	-	2,206,535	-	306,228	4,950,000	-	4,950,000
Anniversary	(950)	-	-	-	-	(950)	4,923	3,973
Event Expense	638	-	1,672	1,290	-	3,600	72,112	75,712
Total Operating Expenses	28,479,105	1,115,911	10,165,618	1,164,412	5,592,971	46,518,017	18,097,229	64,615,246
Management and General Allocation	11,079,425	434,131	3,954,801	452,999	2,175,873	18,097,229	-	-
Total before depreciation	39,558,530	1,550,042	14,120,419	1,617,411	7,768,844	64,615,246	18,097,229	64,615,246
Nonoperating Expenses								
Depreciation Expense	981,303	-	245,004	19,347	333,093	1,578,747	603,677	2,182,424
Gain/Loss on Disposal of Assets	1,374	-	-	-	-	1,374	-	1,374
Total Expenses	\$ 40,541,207	\$ 1,550,042	\$14,365,423	\$ 1,636,758	\$ 8,101,937	\$66,195,367	\$ 18,700,906	\$ 66,799,044

A Public Health Service
B DHHS-HIV
C AI-Assist
D Day care
E Dental

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

GREATER PHILADELPHIA HEALTH ACTION, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2018

	A	B	C	D	E	Total	Management & General	Total 2018
Salary & Wages	\$ 13,539,270	\$ 297,157	\$ 4,432,960	\$ 947,575	\$ 2,991,335	\$ 22,208,297	\$ 6,756,895	\$ 28,965,192
Fringe Benefits	1,909,282	72,887	583,096	138,491	349,484	3,053,240	2,200,031	5,253,271
Professional Fees	(345)	-	-	88	(1,074)	(1,331)	213,822	212,491
Consultant & Contractual	4,740,313	25,638	109,010	18,075	-	4,893,036	130,795	5,023,831
Temporary Office Services	872,410	-	936,440	11,943	139,171	1,959,964	575,102	2,535,066
Security & Transportation	42,922	-	46,516	2,167	2,754	94,359	5,017	99,376
Translation Services	68,201	-	5,569	-	727	74,497	764	75,261
Laboratory Fees	383,772	-	10,678	-	254,528	648,978	290	649,268
Referral Costs	60,000	-	-	-	-	60,000	-	60,000
Medication costs	-	-	-	-	-	-	-	-
Medical Supplies	1,725,587	683	13,812	4,601	30,355	1,775,038	42,543	1,817,581
Dental Supplies	14,901	-	3,688	-	397,463	416,052	417	416,469
Office Supplies	240,435	-	43,025	50,524	34,263	368,247	330,208	698,455
Recruitment	45	-	-	-	-	45	4,445	4,490
Marketing Expense	3,038	-	562	262	108	3,970	139,738	143,708
Insurance & Bonding	-	-	-	8,159	-	8,159	516,002	524,161
Data Processing	565,342	-	71,647	4,405	89,315	730,709	1,819,951	2,550,660
Space Rental	335,941	-	34,850	112,176	51,991	534,958	160,351	695,309
Equipment Rental/Lease	(616)	-	3,169	1,871	(1,833)	2,591	266,958	269,549
Repair & Maintenance	244,355	-	67,260	23,873	66,309	401,797	37,710	439,507
Cleaning	749,017	-	123,019	74,158	152,665	1,098,859	190,657	1,289,516
Utilities	330,797	-	90,341	30,193	62,617	513,948	56,619	570,567
Telephone	212,922	-	68,347	11,188	46,571	339,028	295,967	634,995
Travel, Conference, Meetings	113,763	-	7,995	11,481	7,047	140,286	275,334	415,620
Taxes & License	28,837	-	7,403	1,746	7,891	45,877	22,027	67,904
Subscription & Dues	8,276	-	4,640	113	4,576	17,605	99,042	116,647
Interest & Bank Charges	7,932	-	4,387	197	2,894	15,410	3,718,134	3,733,544
Noncapitalized Equipment & Furniture	2,887	-	1,311	977	2,463	7,638	4,785	12,423
Bad Debt Expense	1,986,564	-	1,567,551	-	395,885	3,950,000	-	3,950,000
Anniversary	-	-	-	-	-	-	5,000	5,000
Event Expense	1,242	-	4,424	271	-	5,937	116,808	122,745
Total Operating Expenses	28,187,090	396,365	8,241,700	1,454,534	5,087,505	43,367,194	17,985,412	61,352,606
Management and General Allocation	13,208,488	737,403	2,066,522	886,680	1,086,319	17,985,412	-	-
Total before depreciation	41,395,578	1,133,768	10,308,222	2,341,214	6,173,824	61,352,606	17,985,412	-
Nonoperating Expenses								
Depreciation Expense	883,859	-	230,428	20,949	294,981	1,430,217	594,837	2,025,054
Unrealized Gain/Loss 2015 Bond	-	-	-	-	-	-	(19,651)	(19,651)
Gain/Loss on Disposal of Assets	6,649	-	-	-	-	6,649	-	6,649
Total Expenses	\$ 42,286,086	\$ 1,133,768	\$ 10,538,650	\$ 2,362,163	\$ 6,468,805	\$ 62,789,472	\$ 18,560,598	\$ 63,364,658

A Public Health Service
B DHHS-HIV
C AI-Assist
D Daycare
E Dental

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

GREATER PHILADELPHIA HEALTH ACTION, INC.
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 237,621	\$ (1,286,429)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,182,424	2,025,054
Loss on disposal of assets	1,374	6,649
Decrease (increase) in grants receivable	9,999	208,441
Decrease (increase) in accounts receivable, wraparound	(4,105,277)	(10,025)
Decrease (increase) in accounts receivable, capitation and referrals	(6,924,385)	306,079
Decrease (increase) in accounts receivable, other	708,423	(883,699)
Decrease (increase) in prepaid expenses	(13,935)	61,379
Decrease (increase) in pharmacy inventory	39,748	(659,571)
Increase (decrease) in accounts payable and accrued liabilities	1,165,315	458,786
Increase (decrease) in accrued payroll and related expenses	133,668	484,686
Net Cash provided by operating activities	(6,565,025)	711,350
Cash flows from investing activities:		
Investment from bond proceeds	71,018	(1,463,438)
Proceeds from the sale of equipment	-	-
Purchase of property and equipment	(653,991)	(2,426,214)
Net Cash provided by (used) in financing activities	(582,973)	(3,889,652)
Cash flows from financing activities:		
Increase (decrease) in notes payable	(47,040)	1,970,966
Increase (decrease) in capital lease obligation	28,527	(7,972)
Increase (decrease) in line of credit drawdown	5,000,000	-
Increase (decrease) in bond payable	(1,530,000)	-
Net Cash provided by (used in) financing activities	3,451,487	1,962,994
Net increase (decrease) in cash	(3,696,511)	(1,215,308)
Cash, beginning of the year	7,168,639	8,383,947
Cash, end of the year	\$ 3,472,128	\$ 7,168,639
Supplemental data:		
Interest paid	\$ 3,617,304	\$ 3,609,263

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

GREATER PHILADELPHIA HEALTH ACTION, INC.
Notes to Financial Statements
For the Year Ended December 31, 2019

Note 1 *Organization*

Greater Philadelphia Health Action, Inc. (GPHA) was incorporated in the Commonwealth of Pennsylvania on July 20, 1970, as a non-profit, non-stock corporation dedicated to the purpose of carrying out the delivery of primary health care services to the city of Philadelphia and surrounding areas. GPHA now provides comprehensive primary medical, dental, behavioral health and child development services through a network of health facilities located throughout Philadelphia. As a federally qualified health center, its public health service program provides comprehensive health care to mostly the low income population on a sliding fee scale based on the ability to pay. The HIV program provides health care services to patients with HIV. Daycare and youth services for children and families are designed to provide services that are enriching and stimulating in a safe environment for children ages six weeks to 14 years. The pre-school classrooms are part of the school district of Philadelphia's Head Start Program.

Note 2 *Summary of Significant Accounting Policies*

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Consequently, revenue is recognized when earned and expenses are recognized when incurred.

Cash

Cash, as presented in the accompanying financial statements, consists of amounts on hand and in Bank accounts.

Accounting Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Functional Allocation of Expenses

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

Classification of Net Assets

The net assets of the organization are reported as followed:

Without Donor Restrictions-Net Assets—Represents that portion of expendable funds that are available for general support of the organization.

With Donor Restrictions-Net Assets—Represents assets that have Donor restrictions from use in the operation of GPHA, until all applicable grantor or donor restrictions have been met.

GREATER PHILADELPHIA HEALTH ACTION, INC.
Notes to Financial Statements
For the Year Ended December 31, 2019

Note 2 *Summary of Significant Accounting Policies (Continued)*

Revenue Recognition

GPHA receives funds from the United States Department of Health and Human Services (DHHS). In accordance with DHHS policies, all funds disbursed must be in compliance with the specific terms of the grant agreement. DHHS may, at its discretion, request reimbursement for expenses or return of unexpended funds, or both, as a result of noncompliance by the corporation with the terms of the grant. In addition, if the corporation terminated its DHHS grant activities, all unexpended funds must be returned to the DHHS. All amounts advanced to GPHA through periodic drawdowns from DHHS grant awards are reported as grant income during the operating year of the grantee, based on a calendar year.

Patient service fees are recognized at the time the service is provided. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Support received with donor-imposed restrictions for either purpose or time is recorded as donor restricted revenue. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

Allowance for Uncollectible Accounts

The provision for uncollectible accounts is based upon management's judgmental assessment of historical and expected net collections considering business and general economic conditions in its services area, trends in healthcare coverage, and other collection indicators. On a relatively continuous basis, management assesses the adequacy of the allowance for uncollectible accounts based upon its review of accounts receivables payer category, payer agreement rate changes and other factors. The results of these assessments are used to make a modifications to the provision for uncollectible accounts and to establish an appropriate allowance for uncollectible accounts.

Pharmacy Inventory

Pharmacy inventory is recorded at the lower of cost or net realizable value using the first in first out (FIFO) inventory method. The pharmacy inventory as presented in the Statement of Financial Position results from a physical inventory taken on December 18, 2019. A physical inventory was also taken for the end of the year 2018.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets ranging from five to thirty years. The cost of leasehold improvements is amortized on a straight-line basis over the term of the lease or the useful lives of the assets whichever is shorter. Construction in progress includes consultants, legal and other costs for projects under development. Depreciation is not recorded on the construction in progress until the project is complete and ready for use. GPHA purchased three medical practices, one in 2006, one in 2007 and the third in 2017. The medical practices are included in property and equipment and are amortized on a straight-line basis over 25 years. A summary of property and equipment is contained in Note 6.

GREATER PHILADELPHIA HEALTH ACTION, INC.
Notes to Financial Statements
For the Year Ended December 31, 2019

Note 2 *Summary of Significant Accounting Policies (Continued)*

Repairs and maintenance are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts and any gain or loss is recorded. GPHA capitalizes all fixed assets greater than \$2,000. Property and certain equipment items acquired with federal government funds are considered to be owned by GPHA while used in the program or in future authorized programs. However, the federal government retains a reversionary interest in these assets as well as the right to determine the use of any proceeds from sale or disposal.

Accordingly, GPHA may not transfer, mortgage, assign, lease, or in any other manner encumber these restricted items without prior approval of the federal government.

Fair Value

Management follows the accounting standards pertaining to *Fair Value Measurements* for qualifying assets and liabilities. These standards define fair value, establish a framework for measuring fair value under U.S. GAAP, and mandate disclosures about fair value measurements. The standards establish a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value. The three levels of the fair value framework are as follows:

- Level 1—Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date. Instruments which are generally included in this category include equity and debt securities publicly traded on an exchange.
- Level 2—Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active. Level 2 also includes investments with notice periods for redemption of ninety days or less.
- Level 3—Inputs that are unobservable and which require significant judgment or estimation. Level 3 also includes investments with notice periods for redemption of more than ninety days.

All qualifying assets or liability levels within the framework are based upon the lowest level of any input that is significant to the fair value measurement. GPHA values all its qualified assets and liabilities using Level 1 inputs, except for the notes and bonds payable which use Level 2 inputs.

Income Taxes

GPHA is a non-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state codes. Management believes all of GPHA's income is related to its exempt purpose. Accordingly, no provision for federal and state income taxes is included in the accompanying financial statements.

Concentration of Credit Risk

At times during the year, the GPHA maintained cash balances at financial institutions in excess of the Federal Deposit Insurance Corporations (FDIC) insurance limitation of \$250,000.

GREATER PHILADELPHIA HEALTH ACTION, INC.
Notes to Financial Statements
For the Year Ended December 31, 2019

Note 3 *Liquidity Management*

GPHA's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash and cash equivalents	\$ 3,472,128
Accounts receivable (net of allowance for uncollectable accounts)	20,829,581
Future (2020) fees & grant revenue	<u>53,000,000</u>
Total	<u>\$ 77,301,709</u>

The current receivables and estimated net billable fees for service represents fees expected to be earned and collected within one year of the balance sheet date. GPHA has a goal to maintain cash and short-term liquidity balances on hand to meet 90 days of ordinary business expenses, (exclusive of depreciation and amortization expenses), which are on average \$17,708,000. GPHA has a policy structure and operational procedure for its financial assets to be available for general expenditures and obligations as they come due. As a part of its liquidity management, GPHA maintains demand deposit accounts and lines of credit at local financial institutions.

Note 4 *Accounts Receivable, Net*

GPHA extends credit to patients, as well as third-party intermediaries responsible for medical services provided to patients. In most cases, the amount collected is less than the amount billed. Therefore, the receivable balance has been reduced to the amount considered collectible. An allowance of gross receivable has been established based upon the organization's bad debt write-off policy. A summary of accounts receivable is presented below:

	<u>2019</u>	<u>2018</u>
Medicare	\$ 1,663,969	\$ 1,703,155
Medicaid	448,675	629,057
Commercial insurance	<u>26,317,801</u>	<u>18,319,338</u>
	28,430,445	20,651,550
Less: Allowance	<u>(4,672,306)</u>	<u>(3,817,796)</u>
Total	<u>\$ 23,758,139</u>	<u>\$ 16,833,754</u>

Note 5 *Accounts Receivable, Medicaid Wrap Around*

According to Section 4712(b) of the federal Balanced Budget Act of 1997 and the federal SCHIP Benefits Improvement and Protection Act (BIPA) of 2000 mandates that Department of Public Welfare (DPW) is required to make supplemental payments to Federally Qualified Health Centers (FQHC) equal to the difference, if any between the amounts paid to FQHC for eligible patients by managed care organizations (MCO) with which the clinic has a contractual relationship, and the amount that the FQHC would have received under the regular prospective payment system (PPS). For the years ended December 31, 2019 and 2018 the total balance in this account was \$5,697,943 and \$1,592,666, respectively.

GREATER PHILADELPHIA HEALTH ACTION, INC.
Notes to Financial Statements
For the Year Ended December 31, 2019

Note 6 *Property and Equipment*

Major categories of property and equipment are as follows:

	2019	2018
Land	\$ 91,891	\$ 91,891
Building and improvement	38,729,778	39,307,076
Furniture and equipment	5,140,817	6,483,900
Construction in progress	535,733	193,633
Capital leases	386,835	354,319
Capitalized loan costs	4,057,424	4,057,424
Medical practice purchases	1,099,631	1,099,631
Less: accumulated depreciation	(19,814,546)	(17,671,840)
Property and equipment, net	<u>\$ 30,227,563</u>	<u>\$ 33,916,034</u>

Depreciation and amortization expense was \$2,182,424 and \$2,025,054 for the years ended December 31, 2019 and 2018, respectively.

Note 7 *Bonds Payable*

In August of 2008, GPHA obtained approval for \$9,720,000 in funds from a tax-exempt bond financing. The proceeds were used to liquidate the 2003 bond debt. The 2003 bond was used to finance a project consisting of the acquisition, renovations, and equipping of three properties, as well as the current refunding of the Authority's 1999 Series of Tax-Exempt Revenue Bonds and costs related to the financing of the project. In June of 2015, GPHA settled on a bond issuance by the Philadelphia Authority for Industrial Development in the amount of \$50,850,000 (\$38,660,000 Series 2015A Bonds-Tax Exempt and \$12,190,000 Series 2015B Bonds-Federally Taxable). The settlement funds were used to pay-off a bank Letter of Credit related to the 2008 bonds, to pay-off a financial institution swap termination payment, to pay-off a bank term loan and to pay-off the line of credit with a second bank. During bond closing \$8,827,578 was set aside to service the bond interest from year 12/1/2015 through 12/1/2017.

Listed in the Indenture of Trust Document attached to the 2015 Bond Issue, GPHA is required to maintain several financial ratios annually. In 2019, those ratios were missed as a result of delayed reimbursement from third party payors. Resultantly, GPHA was required to hire an outside consultant to make recommendations for improvement. GPHA hired the outside consultants in early 2019 when the change in reimbursement was announced. GPHA has since met the requirements of the bond Fiduciary.

Future payments required on the bond amortization are as follows:

Calendar year 2020	\$ 3,941,193
Calendar year 2021	3,936,393
Calendar year 2022	3,933,193
Calendar year 2023	3,931,193
Calendar year 2024	3,929,993
Thereafter	94,781,472
Total	<u>\$ 114,453,437</u>

GREATER PHILADELPHIA HEALTH ACTION, INC.
Notes to Financial Statements
For the Year Ended December 31, 2019

Note 8 *Pension Plan*

GPHA sponsors a defined contribution pension plan that covers substantially all salaried employees. Contributions to the plan are based on established guidelines and the plan is administered by the Pension Committee of the Corporation. For the years ended December 31, 2019, and 2018, pension expense was \$ 810,019 and \$799,511, respectively.

Note 9 *Federal Support Available for Future Periods*

The funding periods of the grants from the Department of Health and Human Services differ from the year-end of GPHA. As a result, a portion of each grant award is available for future utilization. The periods of the Community Health Center grant award is June 1, 2019, through May 31, 2020, the period of the HIV award is May 1, 2019, through April 30, 2020. The current operating year of GPHA is January 1, 2019, through December 31, 2019.

Note 10 *Capital Leases*

GPHA leases equipment under several capital leases at a cost of \$386,835. The leases have various expirations ending in 2019. Accumulated depreciation reported in the accompanying statement of financial position included \$354,318 relating to the leased equipment.

Future minimum lease payments under the capital lease as of December 31, 2019, are as follows:

Calendar year 2020	\$ 12,001
Calendar year 2021	12,001
Calendar year 2022	<u>7,001</u>
Total	<u>\$ 31,003</u>

Note 11 *Operating Leases*

GPHA has several operating leases for space, equipment, and automobiles. The leases are scheduled to end at various times, and some are extended annually or every five years. As of December 31, 2019 and 2018, space rental expense was \$828,805 and \$904,033, respectively.

Future minimum annual commitments under the operating leases are as follows:

Year	Space
2020	\$ 850,196
2021	860,277
2022	806,287
2023	823,779
2024	<u>811,561</u>
Total	<u>\$ 4,152,100</u>

GREATER PHILADELPHIA HEALTH ACTION, INC.
Notes to Financial Statements
For the Year Ended December 31, 2019

Note 12 *Subsequent Events*

- (a) In preparing the financial statements, GPHA has evaluated events and transactions for potential recognition or disclosure through May 29, 2020 the date the financial statements were available to be issued.

- (b) On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may impact negatively the company's operations. The overall potential impact is unknown at this time.

GREATER PHILADELPHIA HEALTH ACTION, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Note 1 *Basis of Presentation*

The accompanying schedule of expenditures of federal awards includes the federal award activity of Greater Philadelphia Health Action, Inc., under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Greater Philadelphia Health Action, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Greater Philadelphia Health Action, Inc.

Note 2 *Indirect Costs*

Greater Philadelphia Health Action, Inc. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance



INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Greater Philadelphia Health Action, Inc.
Philadelphia, Pennsylvania

We have audited, in accordance with auditing standards general accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Greater Philadelphia Health Action, Inc. (GPHA), a nonprofit organization, which comprise the statement of financial position as of December 31, 2019 and 2018, and related statement of activities, functional expenses, and cash flows for the year then ended, and the notes to the financial statements, and have issued our report thereon dated May 29, 2020.

Internal Control over Financial Reporting

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

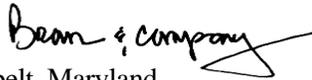
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant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

Compliance and Other Matters

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

Purpose of this Report

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



Greenbelt, Maryland
May 29, 2020



INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Greater Philadelphia Health Action, Inc.
Philadelphia, Pennsylvania

Report of Compliance for Each Major Federal Program

We have audited Greater Philadelphia Health Action, Inc.’s (GPHA), a non-profit organization compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of GPHA’s major federal programs for the year ended December 31, 2019. GPHA’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 the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of GPHA’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 GPHA’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 GPHA’s compliance.

Opinion on Each Major Federal Program

In our opinion, GPHA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of GPHA 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 GPHA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose, of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the GPHA'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 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of GPHA, a nonprofit organization, as of and for the year ended December 31, 2019 and 2018 and have issued our report thereon dated May 29, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements

or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Brown & Company

Greenbelt, Maryland
May 29, 2020

GREATER PHILADELPHIA HEALTH ACTION, INC.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2019

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
▪ Material weakness (es) identified?	_____ yes	<u> X </u> No
▪ Significant deficiency(s) identified that are not considered to be material weaknesses?	_____ yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	_____ yes	<u> X </u> No

Federal Awards:

Internal control over major programs:		
▪ Material weakness (es) identified?	_____ yes	<u> X </u> No
▪ Significant deficiency(s) identified that are not considered to be material weaknesses?	_____ yes	<u> X </u> none reported

Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
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Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 and OMB Uniform Guidance?	_____ yes	<u> X </u> No
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Identification of major programs:
Federal Awards

Health Care Cluster	CFDA# 93.224 CFDA# 93.918
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Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000 _____
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Auditee qualified as low-risk auditee?	<u> X </u> yes	_____ No
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GREATER PHILADELPHIA HEALTH ACTION, INC.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2019

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

The results of our tests disclosed no instances of noncompliance with the requirements applicable to each major federal program that is required to be reported in accordance with OMB Uniform Guidance.

Section IV – Summary Schedule of Prior Audit Findings Federal Award Findings and Questioned Costs

There are no prior years audit findings or questioned costs.