

Equitas Health, Inc. and Subsidiaries

Independent Auditor's Reports and
Consolidated Financial Statements

June 30, 2020 and 2019

Equitas Health, Inc. and Subsidiaries
June 30, 2020 and 2019

Contents

Independent Auditor’s Report.....	1	
 Consolidated Financial Statements		
Balance Sheets.....	3	
Statements of Operations and Changes in Net Assets.....	4	
Statements of Cash Flows	5	
Notes to Financial Statements	6	
 Supplementary Information		
Schedule of Expenditures of Federal Awards	21	
Notes to the Schedule of Expenditures of Federal Awards	22	
 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> – Independent Auditor’s Report.....		23
 Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance – Independent Auditor’s Report.....		25
 Schedule of Findings and Questioned Costs.....	27	
 Summary Schedule of Prior Audit Findings.....	30	

Independent Auditor's Report

Board of Directors
Equitas Health, Inc. and Subsidiaries
Columbus, Ohio

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Equitas Health, Inc. and Subsidiaries (Organization), which comprise the consolidated balance sheets as of June 30, 2020 and 2019, and the related consolidated statements of operations and changes in net assets, and cash flows for the years 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 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 consolidated financial statements are free from material misstatement.

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 entity'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 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 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 Equitas Health, Inc. and Subsidiaries as of June 30, 2020 and 2019, and the results of its operations and changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, 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 also have issued our report dated December 17, 2020, 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.

BKD, LLP

Cincinnati, Ohio
December 17, 2020

Equitas Health, Inc. and Subsidiaries
Consolidated Balance Sheets
June 30, 2020 and 2019

Assets

	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 15,259,762	\$ 11,797,661
Receivables		
Patients	624,168	597,673
Pharmacy	7,186,166	5,118,412
Grants	3,197,191	3,378,541
Contributions receivable	185,055	292,747
Inventories	3,656,932	2,004,803
Prepaid expenses and other	1,007,790	806,392
Total current assets	<u>31,117,064</u>	<u>23,996,229</u>
 Property, Plant and Equipment, at Cost		
Building and leasehold improvements	6,599,025	5,242,677
Furniture and equipment	754,459	727,738
Computers and software	2,334,920	2,109,554
Construction in progress	1,726,076	387,780
	<u>11,414,480</u>	<u>8,467,749</u>
Less accumulated depreciation	<u>(2,933,539)</u>	<u>(2,216,459)</u>
	<u>8,480,941</u>	<u>6,251,290</u>
 Total assets	 <u>\$ 39,598,005</u>	 <u>\$ 30,247,519</u>

Liabilities and Net Assets

Current Liabilities		
Current maturities of long-term debt	\$ 295,566	\$ 430,806
Refundable advances	1,200,000	-
Accounts payable	2,649,342	2,714,182
Accrued expenses	368,827	121,522
Accrued compensation costs	2,994,944	2,065,549
Total current liabilities	<u>7,508,679</u>	<u>5,332,059</u>
 Long-term Debt	 <u>1,722,733</u>	 <u>2,024,897</u>
Total liabilities	<u>9,231,412</u>	<u>7,356,956</u>
 Net Assets	 <u>30,366,593</u>	 <u>22,890,563</u>
 Total liabilities and net assets	 <u>\$ 39,598,005</u>	 <u>\$ 30,247,519</u>

Equitas Health, Inc. and Subsidiaries
Consolidated Statements of Operations and Changes in Net Assets
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues, Gains and Other Support		
Patient medical service revenue, net	\$ 3,689,951	\$ 2,877,127
Pharmacy	80,336,610	65,175,620
Grants	17,408,443	13,677,731
Other operating revenue	<u>1,719,053</u>	<u>940,025</u>
Total revenues, gains and other support	<u>103,154,057</u>	<u>82,670,503</u>
Expenses and Losses		
Salaries and wages	26,557,328	21,749,335
Employee benefits and payroll taxes	7,105,639	5,687,468
Contract services and professional fees	3,635,966	2,585,054
Direct assistance	1,755,738	1,489,295
Medical supplies and other	1,479,661	1,110,193
Pharmaceuticals	47,697,121	38,976,780
Facility costs	4,009,996	3,239,645
Depreciation	717,083	617,558
Interest	104,684	107,516
Other operating expenses	<u>3,364,408</u>	<u>3,363,825</u>
Total expenses and losses	<u>96,427,624</u>	<u>78,926,669</u>
Operating Income	<u>6,726,433</u>	<u>3,743,834</u>
Other Income		
Contributions received	<u>749,597</u>	<u>1,700,231</u>
Total other income	<u>749,597</u>	<u>1,700,231</u>
Excess of Revenues Over Expenses and Change in Net Assets	<u>7,476,030</u>	<u>5,444,065</u>
Net Assets, Beginning of Year	<u>22,890,563</u>	<u>17,446,498</u>
Net Assets, End of Year	<u>\$ 30,366,593</u>	<u>\$ 22,890,563</u>

Equitas Health, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Activities		
Change in net assets	\$ 7,476,030	\$ 5,444,065
Items not requiring (providing) operating cash flow		
Depreciation	717,083	617,558
Provision for uncollectible accounts	413,030	317,763
Changes in		
Patient accounts and pharmacy receivables	(2,507,279)	(1,621,867)
Grants receivable	181,350	(466,516)
Contributions receivable	107,692	91,990
Inventories	(1,652,129)	(263,308)
Accounts payable	(64,840)	811,414
Accrued expenses and compensation costs	929,395	424,430
Refundable advances	1,200,000	-
Other current assets and liabilities	45,907	(260,583)
Net cash provided by operating activities	<u>6,846,239</u>	<u>5,094,946</u>
Investing Activities		
Purchase of property and equipment	<u>(2,946,734)</u>	<u>(4,342,425)</u>
Net cash used in investing activities	<u>(2,946,734)</u>	<u>(4,342,425)</u>
Financing Activities		
Proceeds from issuance of long-term debt	-	1,844,528
Principal payments on long-term debt	<u>(437,404)</u>	<u>(422,228)</u>
Net cash provided by (used in) financing activities	<u>(437,404)</u>	<u>1,422,300</u>
Increase in Cash and Cash Equivalents	3,462,101	2,174,821
Cash and Cash Equivalents, Beginning of Year	<u>\$ 11,797,661</u>	<u>\$ 9,622,840</u>
Cash and Cash Equivalents, End of Year	<u>\$ 15,259,762</u>	<u>\$ 11,797,661</u>

Equitas Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Equitas Health, Inc. and Subsidiaries (Organization) is a regional not-for-profit, community-based, health care system and federally qualified community health center look-alike organization. Originally established in 1984 as the Aids Resource Center of Ohio, the Organization's mission is to be the gateway to good health for those at risk of or affected by HIV/AIDS, for the lesbian, gay, bisexual, transgender, and queer/questioning (LGBTQ) community, and for those seeking a welcoming health care home.

The Organization's mission has made it one of the nation's largest HIV/AIDS, LGTBQ health care organizations. With 21 offices in 13 cities, it serves tens of thousands of individuals in Ohio, Kentucky and West Virginia each year through its diverse health care and social service delivery system focused around: primary and specialized medical care, community pharmacy, dental, behavioral health, HIV/STI prevention, housing assistance and supportive services, advocacy, and other community health initiatives. The Organization operates a Federally Qualified Health Center (FQHC) Look-Alike under the Public Health Service Act §330 program. Designation as an FQHC Look-Alike allows organizations to receive cost reimbursement from Medicare and Medicaid and to participate in the Public Health Service Act §340(b) pharmacy purchase program.

The Equitas Health Pharmacy operates as a social enterprise for Equitas Health and is one of the pillars of the Organization's patient-centered model. The full-service retail pharmacy provides medications to HIV-positive and other Organization patients and is also open to the public. One hundred percent of pharmacy profits are reinvested back into the Organization's programs and services, providing an earned income revenue line for the Organization while providing a critical service for the community.

During 2018, the Organization started Prizm, LLC to connect LGBTQ+ people across Ohio to a statewide community through a magazine that covers news, politics, health, arts, entertainment, fashion and culture. Prizm, LLC operations were terminated effective July 1, 2019.

In 2019, the Organization founded GGH, LLC, whose purpose is to own property on behalf of, and lease property to, Equitas Health, Inc. for use in the Organization's charitable purpose of meeting the health care needs of the medically underserved and providing care to the LGBTQ+ community.

Equitas Health, Inc. is the sole member of EHP Texas, LLC d/b/a Prism Health North Texas. The purpose of the entity is to further the charitable purpose of the Organization by providing pharmacy services to meet the health care needs of the medically underserved. EHP Texas, LLC d/b/a Prism Health North Texas was organized during 2019 but did not commence operations until 2020.

Equitas Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Principles of Consolidation

The consolidated financial statements include the accounts of the Equitas Health, Inc. (Equitas), Equitas Health Pharmacy, LLC (Pharmacy), Prizm, LLC (Prizm), GGH, LLC (GGH) and EHP Texas, LLC d/b/a Prism Health North Texas (EHP Texas). All material intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2020 and 2019, cash equivalents consisted primarily of money market accounts.

At June 30, 2020, the Organization's cash accounts exceeded federally insured limits by approximately \$14,150,000.

Patient Accounts Receivable

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating collectibility of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for uncollectible accounts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party insurance coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

Equitas Health, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

For receivables associated with self-pay patients (which includes both patients without insurance and patients with insurance that have deductible and copayment balances due for which the third-party insurance coverage exists for part of the bill), the Organization records a provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Inventories

Supply inventories are stated at the lower of cost or net realizable value. Costs are determined using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment acquisitions over \$3,000 are stated at cost, less accumulated depreciation and amortization. Depreciation is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building and leasehold improvements	30-40 years
Furniture and equipment	5-7 years
Computers and software	3-5 years

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2020 and 2019.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The Organization has no significant net assets with donor restrictions.

Equitas Health, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Patient Medical Service Revenue

The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Pharmacy Revenue

Pharmacy revenue includes both retail revenue and 340B revenue. The 340B “Drug Discount Program” enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Discount Program is managed by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs. The Organization earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. Both the retail and 340B gross receipts are included in pharmacy revenue on the consolidated statements of operations and changes in net assets. Drug replenishment costs are included in pharmaceuticals expenses.

Government Grants

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by granting agencies and, as a result of such audits, adjustments could be required.

Equitas Health, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Conditional contributions, gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors, primarily in the form of below market value lease agreements. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense or asset in its financial statements, and similarly increase contribution revenue by a like amount.

Equitas Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Professional Liability Claims

The Organization recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in *Note 6*.

Income Taxes

Equitas Health, Inc. and its subsidiaries are incorporated under the laws of the state of Ohio as not-for-profit corporations and are exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization files tax returns in the U.S. federal jurisdiction.

Change in Accounting Principle

In 2020, the Organization adopted ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies existing guidance on determining whether a transaction with a resource provider, *e.g.*, the receipt of funds under a government grant or contract, is a contribution or an exchange transaction. The guidance requires all organizations to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction, and whether contributions are conditional or unconditional. If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, *Revenue from Contracts with Customers*, or other topics. The standard clarifies that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provider, *i.e.*, the transaction is nonexchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional. The adoption of this standard did not have a significant impact on the financial statements.

Equitas Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 2: Grants and Contributions

The Organization is the recipient of Ryan White Part A, B, and C grants (Ryan White Grants) from the U.S. Department of Health and Human Services and certain state and local sources. The general purpose of these grants is to provide expanded health care service delivery for HIV patients. Terms of the grants generally provide for funding of the Organization's operations based on an approved budget.

Grant revenue is recognized as qualifying expenditures are incurred over the grant period. During the years ended June 30, 2020 and 2019, the Organization recognized approximately \$11,500,000 and \$9,700,000 in grant revenue from Ryan White Grants. Earned portions of the grants not yet received as of year-end are recorded as grant receivables.

The Organization also receives financial support from additional federal, state, and private sources. Generally, such financial support requires compliance with terms and conditions specified in the grant agreements and must be renewed on an annual basis. Unexpended funds under all conditional grants and contributions were approximately \$12,300,000 and \$11,800,000 at June 30, 2020 and 2019, which can be recognized as revenue upon meeting certain conditions, primarily incurring allowable expenditures the terms of the various agreements.

Note 3: Patient Medical Service Revenue

The Organization recognizes patient medical service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured 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 portion of the Organization's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Organization records a provision for uncollectible accounts related to uninsured patients in the period the services are provided. This provision for uncollectible accounts is presented within the statement of operations as a component of net patient medical service revenue.

As discussed in *Note 1*, the Organization operates as an FQHC Look-Alike for both Medicare and Medicaid reimbursement purposes. Payment arrangements under these programs are as follows:

Medicare - Covered FQHC services rendered to Medicare program beneficiaries are paid under a prospective payment system (PPS) for FQHCs. Medicare payments, including patient co-insurance, is paid based on the lesser of the Health Center's actual charge or the applicable PPS rate. Services not covered under the FQHC benefit are paid based on established fee schedules.

Medicaid - Covered FQHC services rendered to Ohio Medicaid program beneficiaries are paid under PPS using established per-visit payment amounts for cost-based clinical services.

Equitas Health, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Organization has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Patient medical service revenue, net of contractual allowances and discounts and the provision for uncollectible accounts, recognized in the years ended June 30, 2020 and 2019, respectively, was approximately:

	<u>2020</u>	<u>2019</u>
Medicare	\$ 754,038	\$ 809,063
Medicaid	1,880,148	1,727,638
Other third-party payers	3,178,285	2,604,583
Patients	<u>889,471</u>	<u>549,072</u>
	6,701,942	5,690,356
Less: Contractual discounts and allowances	(2,598,961)	(2,495,466)
Less: Provision for uncollectible accounts	<u>(413,030)</u>	<u>(317,763)</u>
	<u>(3,011,991)</u>	<u>(2,813,229)</u>
	<u>\$ 3,689,951</u>	<u>\$ 2,877,127</u>

Note 4: Concentration of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are insured under third-party payer agreements. The mix of receivables from patients (medical service revenue only) and third-party payers at June 30, 2020 and 2019, is:

	<u>2020</u>	<u>2019</u>
Medicare	8%	9%
Medicaid	27%	27%
Other third-party payers	47%	43%
Patients	<u>18%</u>	<u>21%</u>
	<u>100%</u>	<u>100%</u>

Equitas Health, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 5: Long-Term Debt

	<u>2020</u>	<u>2019</u>
Note payable, bank (A)	\$ 1,737,674	\$ 1,794,126
Note payable, bank (B)	197,896	531,038
Capital lease obligation (C)	<u>82,729</u>	<u>130,539</u>
Less current maturities	<u>(295,566)</u>	<u>(430,806)</u>
	<u>\$ 1,722,733</u>	<u>\$ 2,024,897</u>

- (A) Due July 2028; payable \$12,346 monthly plus interest at 5.10 percent; secured by certain property and equipment.
- (B) Due January 2021; payable \$28,645 monthly plus interest at 2.75 percent; secured by assets of the Organization.
- (C) Capital lease covering phone equipment for four years expiring September 2020. Cost of equipment leased was \$218,192 and is being depreciated on a straight-line basis over the lease term.

Aggregate annual maturities and sinking fund requirements of long-term debt and payments on capital lease obligations at June 30, 2020, are:

	Long-term Debt (Excluding Capital Lease Obligations)	Capital Lease Obligations
2021	\$ 257,488	\$ 50,196
2022	62,854	50,196
2023	66,183	8,366
2024	69,471	-
2025	73,366	-
Thereafter	<u>1,406,108</u>	<u>-</u>
	<u>\$ 1,935,470</u>	108,758
Less amount representing interest		<u>26,029</u>
Present value of future minimum lease payments		82,729
Less current maturities		<u>38,078</u>
Noncurrent portion		<u>\$ 44,651</u>

Equitas Health, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 6: Professional Liability Claims

The Organization purchases medical malpractice insurance under a claims-made policy. Under such a policy, only claims made and reported to the insurer during the policy term, regardless of when the incidents giving rise to the claims occurred, are covered. The Organization also purchases excess umbrella liability coverage, which provides additional coverage above the basic policy limits up to the amount specified in the umbrella policy.

Note 7: Operating Leases

Noncancellable operating leases for office space expire in various years through 2027. These leases generally contain renewal options for periods ranging from 1 to 3 years and require the Organization to pay all executory costs (property taxes, maintenance and insurance). Future minimum lease payments at June 30, 2020, were:

2021	\$ 2,160,265
2022	1,737,588
2023	1,596,874
2024	1,550,317
2025	1,563,201
Thereafter	<u>1,997,093</u>
	<u>\$ 10,605,338</u>

Rental expense was approximately \$1,640,000 and \$1,415,000 for the years ended June 30, 2020 and 2019.

Equitas Health, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 8: Functional Expenses

The Organization provides health care services primarily to residents within its geographic area. Certain costs attributable to more than one function have been allocated among the program services, general and administrative and fundraising functional expense classifications based on departmental cost centers and other methods. The following schedule presents the natural classification of expenses by function as follows:

	2020							
	Programs					Support		
	Client Services	Public Education and Information	Public Policy	Medical Center and Pharmacy	Program Services Total	Management and General	Fundraising	Total
Salaries and wages	\$ 7,210,039	\$ 2,105,408	\$ 267,993	\$ 9,743,582	\$ 19,327,022	\$ 6,527,835	\$ 702,471	\$ 26,557,328
Employee benefits and payroll taxes	2,364,437	662,805	45,862	2,289,005	5,362,109	1,569,192	174,338	7,105,639
Contract services and professional fees	320,933	93,988	83,208	2,134,649	2,632,778	938,853	64,335	3,635,966
Direct assistance	1,731,057	7,804	92	12,504	1,751,457	4,281	-	1,755,738
Medical supplies and other	131,594	220,570	-	1,119,093	1,471,257	8,404	-	1,479,661
Pharmaceuticals	-	-	-	47,367,987	47,367,987	329,134	-	47,697,121
Facility costs	881,996	251,926	3,044	1,647,165	2,784,131	1,191,519	34,346	4,009,996
Depreciation	22,242	74,720	701	410,174	507,837	208,018	1,228	717,083
Interest	-	-	-	10,066	10,066	94,618	-	104,684
Other operating expenses	486,282	702,171	13,165	948,784	2,150,402	1,056,021	157,985	3,364,408
Total expenses	<u>\$ 13,148,580</u>	<u>\$ 4,119,392</u>	<u>\$ 414,065</u>	<u>\$ 65,683,009</u>	<u>\$ 83,365,046</u>	<u>\$ 11,927,875</u>	<u>\$ 1,134,703</u>	<u>\$ 96,427,624</u>

	2019							
	Programs					Support		
	Client Services	Public Education and Information	Public Policy	Medical Center and Pharmacy	Program Services Total	Management and General	Fundraising	Total
Salaries and wages	\$ 7,619,865	\$ 2,352,251	\$ 251,296	\$ 7,077,818	\$ 17,301,230	\$ 3,626,147	\$ 821,958	\$ 21,749,335
Employee benefits and payroll taxes	2,333,046	689,620	26,474	1,635,067	4,684,207	834,586	168,675	5,687,468
Contract services and professional fees	194,366	347,928	214,018	1,260,888	2,017,200	476,855	90,999	2,585,054
Direct assistance	1,489,295	-	-	-	1,489,295	-	-	1,489,295
Medical supplies and other	61,109	122,744	-	926,340	1,110,193	-	-	1,110,193
Pharmaceuticals	-	-	-	38,976,780	38,976,780	-	-	38,976,780
Facility costs	1,299,754	393,014	1,228	1,021,861	2,715,857	471,723	52,065	3,239,645
Depreciation	26,425	12,222	1,216	437,991	477,854	137,397	2,307	617,558
Interest	-	-	-	-	-	107,516	-	107,516
Other operating expenses	589,555	749,051	26,870	659,773	2,025,249	1,083,833	254,743	3,363,825
Total expenses	<u>\$ 13,613,415</u>	<u>\$ 4,666,830</u>	<u>\$ 521,102</u>	<u>\$ 51,996,518</u>	<u>\$ 70,797,865</u>	<u>\$ 6,738,057</u>	<u>\$ 1,390,747</u>	<u>\$ 78,926,669</u>

Note 9: Employee Postretirement Benefit Plans

The Organization has a 401(k) defined contribution and profit-sharing plan covering substantially all employees. The Organization matches 100 percent of the first 3 percent of eligible contributions and 50 percent of the next 2 percent. Expense was approximately \$518,000 and \$417,000 for the years ended June 30, 2020 and 2019, respectively.

Equitas Health, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 10: Liquidity and Availability

At June 30, 2020 and 2019, all of the Organization's current financial assets are available within one year of the balance sheet date for general expenditure. The Organization has no assets which contain donor restrictions, are Board designated, or are part of an endowment.

Note 11: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in patient service revenue are described in *Notes 1* and *3*.

Grant Revenues

Concentration of revenues related to grant awards and other support is described in *Note 2*.

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Notes 1* and *6*.

Litigation

In the normal course of business, the Organization is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations could be in areas not covered by the Organization's commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Equitas Health, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

340B Drug Pricing Program

The Organization participates in the 340B Drug Pricing Program (340B Program) enabling the Organization to receive discounted prices from the drug manufacturers on outpatient pharmaceutical purchases. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to the financial statement amounts related to the 340B Program could occur in the near term.

Note 12: Future Changes in Accounting Principle

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018, for nonpublic entities, and any interim periods within annual reporting periods that begin after December 15, 2019, for nonpublic entities. In June 2020, FASB issued ASU No. 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), Effective Dates for Certain Entities, which delays the effective date of the new revenue recognition guidance for nonpublic NFPs that have not yet issued their financial statements reflecting its adoption. Those entities may elect to adopt the guidance for annual reporting periods beginning after December 15, 2019, and for interim reporting periods within annual reporting periods beginning after December 15, 2020. The Organization is in the process of evaluating the impact the amendment will have on the consolidated financial statements.

Equitas Health, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the consolidated balance sheets as both a right-of-use asset and a liability. The standard has two types of leases for consolidated statements of operations recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Organization is evaluating the effect the standard will have on the consolidated financial statements, however, the standard is expected to have a material effect on the consolidated financial statements due to the recognition of additional assets and liabilities for operating leases.

Note 13: COVID-19 Pandemic & Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

While some of these policies have been eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place, and some state and local governments are re-imposing certain restrictions due to increasing rates of COVID-19 cases.

Beginning in mid-March, the Organization deferred or suspended certain nonessential services, which resumed at different dates during the final quarter of the fiscal year. The Organization's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The Organization has taken precautionary steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to its business on an ongoing basis.

Equitas Health, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

The extent of the COVID-19 pandemic's adverse effect on the Organization's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Organization's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

Because of these and other uncertainties, the Organization cannot estimate the length or severity of the effect of the pandemic on the Organization's business. Decreases in cash flows and results of operations may have an effect on debt covenant compliance, on the inputs and assumptions used in significant accounting estimates, and potential impairments of long-lived assets.

Paycheck Protection Program (PPP) Loan

In April 2020 the entity received a PPP loan established by the CARES Act in the amount of \$1,200,000 and has elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. As such, the amount has been recorded within refundable advances on the accompanying consolidated balance sheets and statements of cash flows. The Organization anticipates using all of the proceeds to make eligible payments and therefore, expects substantially all of the advance will be recognized as revenue in future periods.

Note 14: Subsequent Events

Subsequent events have been evaluated through December 17, 2020, which is the date the consolidated financial statements were available to be issued.

In August 2020, the Organization borrowed approximately \$2,000,000 to fund new construction and other projects.

Supplementary Information

Equitas Health, Inc. and Subsidiaries

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Housing and Urban Development				
<u>Supportive Housing Program</u>				
Pass Through from the Community Shelter Board SHP	14.267	0H0080U5E031710	\$ -	\$ 16,716
<u>Housing Opportunities for Persons with AIDS</u>				
Pass Through from State of Ohio Ohio Development Services Agency HOPWA Grant	14.241	N-Y-18-7KN-1 / N-Y-19-7KN-1	-	1,114,198
Pass Through from City of Columbus Columbus Health Department HOPWA Grant	14.241	N/A	-	696,356
Total Housing Opportunities for Persons with AIDS			-	1,810,554
Total U.S. Department of Housing and Urban Development			-	1,827,270
U.S. Department of Justice				
<u>Crime Victim Assistance</u>				
Pass Through from State of Ohio Buckeye Region Anti-Violence Organization - VOCA	16.575	2020-VOCA-132920973	-	158,514
Buckeye Region Anti-Violence Organization - SVAA	16.575	2020-SVAA-132920988	-	52,143
Total Crime Victim Assistance			-	210,657
<u>Violence Against Women Formula Grants</u>				
Pass Through from Ohio Department of Public Safety Buckeye Region Anti-Violence Organization	16.588	2014-WF-VA1-V8937	-	(12,882)
<u>Edward Byrne Memorial Justice Assistance Grant Program</u>				
Pass Through from City of Columbus Columbus Health Department	16.738	PO090908	-	478,393
Total U.S. Department of Justice			-	676,168
U.S. Department of Health and Human Services				
<u>Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response</u>				
Pass Through from Ohio Department of Health Early Intervention Services	93.354	02560011EI0119	-	100,000
<u>Grants for Primary Care Training and Enhancement</u>				
Pass Through from the University of Illinois Midwest Aids Training & Education Center	93.884	17720	-	2,736
<u>HIV Emergency Relief Project Grants (Ryan White Part A)</u>				
Pass Through from City of Columbus Provision of Core Medical & Support Services	93.914	N/A	-	1,964,846
<u>HIV Care Formula Grants (Ryan White Part B)</u>				
Pass Through from Ohio Department of Health Ryan White Federal HIV Program	93.917	02560012RW0319 / 02560012RW0520	-	4,243,856
<u>Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (Ryan White Part C)</u>				
Early Intervention Services	93.918	H76HA00531 / H76HA31535	-	803,462
Capacity Development and Planning	93.918	P06HA33734	-	27,068
Capacity Building	93.918	P06HA31452	-	22,017
Total Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (Ryan White Part C)			-	852,547
<u>HIV Prevention Activities - Non-Governmental Organization Based</u>				
Pass Through from Centers for Disease Control and Prevention High Impact Prevention	93.939	NU65PS004740	-	347,599
Mosaic	93.939	NU65PS923648	-	352,570
Total HIV Prevention Activities - Non-Governmental Organization Based			-	700,169
<u>HIV Prevention Activities - Health Department Based</u>				
Pass Through from City of Columbus Gay/Bisexual Men Program	93.940	02520012HP1219	-	178,833
Pass Through from Ohio Department of Health Statewide Prevention Initiatives	93.940	05760012HP0518	-	584,578
Pass Through from Public Health Department of Dayton/Montgomery County Gay/Bisexual Men & MSMS of Color	93.940	N/A	-	52,395
Pass Through from Toledo Lucas County Health Department Gay/Bisexual Men of Color Program	93.940	N/A	-	17,109
Pass Through from Summit County Health Department MSM and AA MSM	93.940	N/A	-	67,360
Total HIV Prevention Activities - Health Department Based			-	900,275
<u>Sexually Transmitted Diseases (STD) Provider Education Grants</u>				
Pass Through from The Ohio State University Nest Study	93.978	60069905	-	62,008
Total U.S. Department of Health and Human Services			-	8,826,437
U.S. Department of Homeland Security				
<u>Emergency Food and Shelter National Board Program</u>				
Pass Through from United Way of Greater Toledo Federal Emergency Management Food and Shelter Program	97.024	N/A	-	1,500
			\$ -	\$ 11,331,375

Equitas Health, Inc. and Subsidiaries
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the consolidated balance sheets, changes in net assets or cash flows of the Organization.
2. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Organization has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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*

Independent Auditor's Report

Board of Directors
Equitas Health, Inc. and Subsidiaries
Columbus, Ohio

We have audited, 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, the consolidated financial statements of Equitas Health, Inc. and Subsidiaries (Organization), which comprise the consolidated balance sheet as of June 30, 2020, and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 17, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

BKD, LLP

Cincinnati, Ohio
December 17, 2020

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

Independent Auditor's Report

Board of Directors
Equitas Health, Inc. and Subsidiaries
Columbus, Ohio

Report on Compliance for Each Major Federal Program

We have audited Equitas Health, Inc. and Subsidiaries' (Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Organization 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 June 30, 2020.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization'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 Organization'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

BKD, LLP

Cincinnati, Ohio
December 17, 2020

Equitas Health, Inc. and Subsidiaries
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:
- Unmodified Qualified Adverse Disclaimer
2. The independent auditor's report on internal control over financial reporting disclosed:
- Significant deficiency(ies)? Yes None reported
- Material weakness(es)? Yes No
3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:
- Significant deficiency(ies)? Yes None reported
- Material weakness(es)? Yes No
5. The opinion(s) expressed in the independent auditor's report on compliance for major federal awards was:
- Unmodified Qualified Adverse Disclaimer
6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? Yes No

Equitas Health, Inc. and Subsidiaries
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2020

7. The Organization's major programs were:

Cluster/Program	CFDA Number
HIV Emergency Relief Project Grants (Ryan White Part A)	93.914
HIV Prevention Activities: Health Department Based	93.940

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The Organization qualified as a low-risk auditee? Yes No

Equitas Health, Inc. and Subsidiaries
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2020

Findings Required to be Reported by Government Auditing Standards

No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

No matters are reportable.

Equitas Health, Inc. and Subsidiaries
Summary of Schedule of Prior Year Audit Findings
Year Ended June 30, 2020

Reference Number	Summary of Finding	Status
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No matters are reportable.