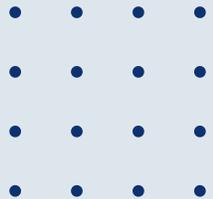




# FINANCIAL STATEMENT AUDIT

YEARS ENDED  
JUNE 30, 2019 AND 2020



**Kathleen K. McGuinness, RPh, CFE**  
**DELAWARE STATE AUDITOR**



KATHLEEN  
**McGUINNESS**  
DELAWARE  
STATE AUDITOR

## ***Delaware Health Information Network Financial Statement Audit for Fiscal Years 2019 and 2020***

---

**What Was Performed?** A financial statement audit of the Delaware Health Information Network for fiscal years ended June 30, 2019 and 2020.

---

**Why This Engagement?** This engagement was performed in accordance with 16 *Del. C.* § 10303(a)(18) and 29 *Del. C.* § 2906.

The Delaware Health Information Network (DHIN) was created by the General Assembly in 1997 as a public-private partnership to benefit all Delawareans. DHIN became a public instrumentality of the state in 2011.

DHIN is the sole corporate member of the Delaware Center for Health Innovation Inc. (DCHI), a charitable nonstock corporation incorporated in 2014. DCHI was created to further the efforts of the Delaware Health Care Commission (DHCC). The goal of DHIN is to advance the creation of a statewide health information network and to address Delaware's needs for timely, reliable and relevant healthcare information. DHIN's major operation is the design and implementation of an integrated statewide health system.

DHIN's activities are financed and operated as an enterprise fund in such a way that costs and expenses of providing services are primarily recovered through user charges. DHIN's net position decreased 3 percent in FY19 and increased 19 percent in FY20. Operating expenses exceeded operating revenue both years.

DHIN revenue included results delivery revenue from related parties, community health record fees and professional service income. DHIN's operating revenue increased 14 percent in FY19 and decreased 10 percent in FY20. Those fluctuations were related to DHIN's services to DHCC, which supports the development of Delaware's Health Care Claims Database (HCCD). DHCC funded these costs through a \$2 million State Innovation Model grant.

DHIN was also approved for a \$505,567 federal Paycheck Protection Program (PPP) loan in May 2020 amid changing federal guidance regarding which entities qualified for such loans. At DHIN's request, the federal government waived the loan repayment in December 2020. DHIN expected to use these funds to support employee salaries in FY21; however, our office has not yet audited DHIN's FY21 statements to confirm the use of that money.

**What Was Found?** It is my pleasure to report this audit contained an unmodified opinion.<sup>1</sup>

The Delaware Health Information Network Financial Statement Audit for Fiscal Years ended June 30, 2019 and 2020, can be found on [auditor.delaware.gov](http://auditor.delaware.gov).

For any questions regarding the attached report, please contact State Auditor Kathleen K. McGuinness at [Kathleen.Mcguinness@delaware.gov](mailto:Kathleen.Mcguinness@delaware.gov).

---

---

<sup>1</sup> *An unmodified opinion is sometimes referred to as a “clean” opinion. It is one in which the auditor expresses an opinion that the financial statements present fairly, in all material respects, an entity’s financial position, results of operations and cash flows in conformity with generally accepted accounting principles.*

**DELAWARE HEALTH INFORMATION NETWORK  
TABLE OF CONTENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>	<b>1</b>
<b>INDEPENDENT AUDITORS’ REPORT</b>	<b>7</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF NET POSITION</b>	<b>9</b>
<b>STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>	<b>10</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>11</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>12</b>
<b>INDEPENDENT AUDITORS’ REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>26</b>

**DELAWARE HEALTH INFORMATION NETWORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

As management of the Delaware Health Information Network (DHIN), we offer readers of DHIN's financial statements this narrative overview and analysis of the financial activities of DHIN for the fiscal years ended June 30, 2020 and 2019.

DHIN was enacted by the Delaware General Assembly in 1997 as a public-private partnership for the benefit of all citizens of Delaware to advance the creation of a statewide health information network and to address Delaware's needs for timely, reliable, and relevant health care information. Effective January 1, 2011, DHIN became its own self-governing entity as a public instrumentality of the State of Delaware (State).

DHIN is the sole corporate member of the Delaware Center for Health Innovation, Inc. (DCHI), a charitable non-stock corporation. DCHI's financial statements, as of and for the years ended December 31, 2020, 2019 and 2018, have been blended with those of DHIN as of and for the years ended June 30, 2020, 2019 and 2018, respectively (collectively referred to as the Organization).

DHIN is not required to have a legally adopted budget. Thus, presentation of budgetary comparison information is not required and is not included within management's discussion and analysis.

### **Financial Highlights**

- The Organization's total net position increased approximately 19 percent and decreased 3 percent as a result of FY 2020 and FY 2019 operations, respectively.
- The Organization's operating expenses were \$9,105,523 and \$10,248,696 for FY 2020 and 2019, respectively, which exceeded operating revenues by \$788,955 and \$1,139,075, respectively.
- The Organization's operating revenues were \$8,316,568 and \$9,109,621 for FY 2020 and 2019, respectively. Operating revenue decreased \$793,053 (approximately 10 percent) for FY 2020 and increased \$1,296,763 (approximately 14 percent) for FY 2019. The decrease for FY 20 and increase for FY 19 was related to DHIN's services to the Delaware Health Care Commission (DHCC) which supports the development of Delaware's HCCD. DHCC funded these costs through their receipt of a State Innovation Model grant. During FY 20, the World Health Organization issued a health warning related to COVID-19, which resulted in a 60-day quarantine an affected the health care services provided by DHIN.
- Nonoperating revenue increased \$740,073 (or approximately 74 percent) for FY 2020 and by \$249,375 (or approximately 25 percent) during FY 2019 as a result of the State of Delaware's appropriation funding in support of a grant for the Health Care Claims Database (HCCD) and increased contributions.
- Implementation costs decreased \$314,117 for FY 20 (or approximately 78 percent) and increased by \$265,174 (or approximately 66 percent) during FY 2019 as a result of expenses incurred in relation to DHIN's HCCD. During FY 20, the World Health Organization issued a health warning related to COVID-19, which resulted in a 60-day quarantine an affected the health care services provided by DHIN.

**DELAWARE HEALTH INFORMATION NETWORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Financial Highlights–Continued**

- Technology refresh costs decreased to \$0 for FY 20 and \$846,290 (or approximately 62 percent) for FY 2019. The decrease was due to the development and build of a new technology platform in FY 2019 and launched in FY 2020.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to DHIN's basic financial statements. DHIN's basic financial statements are comprised of four components: statement of net position; statement of revenues, expenses, and changes in net position; statement of cash flows; and notes to financial statements.

***The Statement of Net Position*** presents information on all of DHIN's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position, when read in conjunction with other data, may serve as a useful indicator of whether the financial position of the organization is improving or deteriorating.

***The Statement of Revenues, Expenses, and Changes in Net Position*** presents information detailing how DHIN's operations generated revenues and expenses, regardless of the timing of cash flows.

***The Statement of Cash Flows*** presents information detailing DHIN's cash receipts and payments during the fiscal year classified by principal sources and uses and segregated into key elements.

***The Notes to Financial Statements*** provide additional information that is essential to a full understanding of the data provided in the financial statements.

The financial statements of DHIN have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, fees, charges, and other exchange revenues are recognized when earned, and expenses are recognized when incurred. Nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met.

DHIN's activities are financed and operated as an enterprise fund such that costs and expenses of providing services are recovered primarily through user charges.

**DELAWARE HEALTH INFORMATION NETWORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Financial Analysis**

<b>ASSETS</b>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 6,137,176	\$ 5,114,272	\$ 5,156,044
Receivables, Net:			
Trade	1,221,100	834,429	897,808
Federal and State	118,000	169,725	-
Prepaid Expenses	120,126	207,605	170,229
Total Current Assets	<u>7,596,402</u>	<u>6,326,031</u>	<u>6,224,081</u>
<b>Capital Assets</b>			
Property and Equipment, Net	41,544	104,964	180,162
<b>Other Assets</b>			
Lease Deposit	6,979	6,979	6,979
Total Assets	<u>\$ 7,644,925</u>	<u>\$ 6,437,974</u>	<u>\$ 6,411,222</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 1,245,794	\$ 1,183,101	\$ 1,028,541
Accrued Liabilities	5,588	246,238	226,533
Deferred Revenue	29,669	96,513	100,018
Long Term Liabilities- Current	227,599	-	-
Total Current Liabilities	<u>1,508,650</u>	<u>1,525,852</u>	<u>1,355,092</u>
Long Term Liabilities- Noncurrent	277,968	-	-
Total Liabilities	<u>1,786,618</u>	<u>1,525,852</u>	<u>1,355,092</u>
<b>Net Position</b>			
Investment in Net Capital Assets	41,544	104,964	180,162
Unrestricted	5,816,763	4,807,158	4,875,968
Total Net Position	<u>5,858,307</u>	<u>4,912,122</u>	<u>5,056,130</u>
Total Liabilities and Net Position	<u>\$ 7,644,925</u>	<u>\$ 6,437,974</u>	<u>\$ 6,411,222</u>

**DELAWARE HEALTH INFORMATION NETWORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Financial Analysis—Continued**

Total assets exceeded total liabilities by \$5,858,307, \$4,912,122, and \$5,056,130 as of June 30, 2020, 2019 and 2018, respectively.

Assets:

During FY 2020, 2019 and 2018, DHIN did not purchase any capital assets. Total depreciation and amortization expense for FY 2020, 2019, and 2018 was \$63,420, \$75,198, and \$75,198, respectively.

Accounts receivable increased \$334,946 and \$106,346 (or approximately 33% and 11%, respectively) for FY 2020 and 2019 as a result of State of Delaware appropriation funding for HCCD.

Liabilities:

Paycheck Protection Program:

The Coronavirus Aid, Relief and Economic Security Act (CARES Act) was enacted to help protect businesses and employees during the COVID-19 pandemic. Included in the CARES Act is the Paycheck Protection Program (PPP), which enables the Small Business Administration (SBA) to guarantee low-interest rate loans to certain entities. The PPP loans may be partially or fully forgiven if employees are retained and funds are used for eligible expenses. DHIN was approved for an 18-month, 1% interest PPP loan in the amount of \$505,567 on May 1, 2020. As of June 30, 2020, DHIN had not used the proceeds from the loan.

Accounts payable and accrued expenses decreased \$177,957 and increased \$174,265 (or approximately -12% and 12%) for FY 2020 and 2019, respectively. The increases were due to services performed for Community Health Record (CHR) and Personal Health Record (PHR).

Net Position:

At June 30, 2020, 2019 and 2018, net position was not subject to external or internal restrictions.

Total unrestricted net position increased \$1,009,605 (approximately 21%) for FY 2020 and decreased \$68,810 (approximately -1%) for FY 2019.

**DELAWARE HEALTH INFORMATION NETWORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Financial Analysis—Continued**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Operating Revenue</b>			
Core Services:			
Results Delivery	\$ 4,687,286	\$ 4,395,766	\$ 4,082,271
Community Health Record (CHR)	<u>3,077,767</u>	<u>3,112,409</u>	<u>3,000,164</u>
Total Core Services	7,765,053	7,508,175	7,082,435
Value Added Services:			
CHR-Viewing by Providers	121,107	125,109	3,050
Medication History Access	13,630	28,150	35,050
Encounter Notification Services	80,425	39,983	25,990
Image Viewing	14,619	38,056	38,056
Professional Services	197,354	126,881	97,633
Other Professional Services - DHCC	<u>124,380</u>	<u>1,243,267</u>	<u>530,644</u>
Total Value Added Services	551,515	1,601,446	730,423
Total Operating Revenue	<u>8,316,568</u>	<u>9,109,621</u>	<u>7,812,858</u>
 <b>Operating Expenses</b>			
Personnel	4,468,143	4,244,076	4,077,206
Licenses and Software Maintenance	2,888,129	3,204,000	3,662,640
Contractual (Nontechnical)	918,521	846,813	1,238,389
Administration	563,522	526,068	633,962
Marketing	113,767	102,113	276,605
Implementation Costs	90,021	404,138	138,964
Depreciation and Amortization	63,420	75,198	75,198
Technology Refresh	-	<u>846,290</u>	<u>2,210,157</u>
Total Operating Expenses	<u>9,105,523</u>	<u>10,248,696</u>	<u>12,313,121</u>
 <b>Operating Loss</b>	 (788,955)	 (1,139,075)	 (4,500,263)
 <b>Nonoperating Revenue</b>			
Grant Revenue- federal	867,247	413,132	449,263
State Appropriation	509,546	-	-
Contributions	320,000	532,950	242,800
Interest Income	<u>38,347</u>	<u>48,985</u>	<u>53,629</u>
Total Nonoperating Revenue	<u>1,735,140</u>	<u>995,067</u>	<u>745,692</u>
 <b>Change in Net Position</b>	 946,185	 (144,008)	 (3,754,571)
 Net Position - Beginning of Year	 <u>4,912,122</u>	 <u>5,056,130</u>	 <u>8,810,701</u>
 <b>Net Position - End of Year</b>	 <u>\$ 5,858,307</u>	 <u>\$ 4,912,122</u>	 <u>\$ 5,056,130</u>

**DELAWARE HEALTH INFORMATION NETWORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Financial Analysis—Continued**

The Organization's operating revenues for FY 2020 decreased \$793,053 (approximately -10%) compared to increasing by \$1,296,763 (approximately 14%) for FY 2019. FY 2020 decrease and increase FY 19 was related to DHIN's services to the Delaware Health Care Commission (DHCC) which supports the development of Delaware's HCCD. DHCC funded these costs through their receipt of a State Innovation Model grant.

During FY 2019, DHIN was awarded \$2,000,000 from the State of Delaware to cover expenses incurred related to the development of a state-wide HCCD. Revenue was recognized as costs were incurred. For the year ended June 30, 2020 and 2019, DHIN recognized revenue of \$867,247 and \$413,132, respectively.

Administration expenses represent overhead costs such as rent expense, supplies, computer support, meeting expenses, and travel. Implementation costs expenses represent costs directly related to the implementation of new functions, new data types, Electronic Medical Records (EMR) vendor interfaces, and new data senders.

Contractual (Non-Technical) costs as of the years ended June 30, 2020 and 2019, increased \$71,708 and decreased \$391,576, respectively. The increase in contractual expenses for FY 2020 related to expenses supporting the enhancements to the Healthcare Claims Database (HCCD). FY 2019 decrease was due to the removal of related expenses from DHIN's primary technical provider, one-time grant expenses in FY 2018, and the absence of Strategic Market Analysis expenses that occurred in FY 2018.

Licenses and software maintenance expenses represent costs for license and related maintenance costs for functions implemented and data senders joined in prior years. Licenses and software maintenance decreased \$315,871 and \$458,640 for FY 2020 and FY 2019, respectively. Licenses and software maintenance expenses include the expenses for the results delivery system, Community Health Record (CHR), Master Patient Index, Encounter Notification System, and various analytics tools.

Marketing expenses represent costs for outreach materials, consumer educational materials, and brand awareness. Marketing expenses increased \$11,654 for FY 2020 and decreased \$174,492 for FY 2019. FY 2020's increase was due to normal business activity, and FY 19 decreases were due to the expiration of the federal grant which provided funding for consumer branding and promotion.

Personnel expenses consist of costs for payroll and payroll-related expenses for employees increased \$224,067 for FY 2020 and increased \$166,870 for FY 2019. The overall increases were due to the salaries and associated costs for four new staff, in conjunction with merit increases for existing employees.

Technology refresh costs represent costs related to development, hardware, or software service contracts in support of DHIN's updated technology platform. Technology refresh costs decreased \$846,290 (to \$0) and \$1,363,867 for FY 2020 and 2019, respectively. The decreases were related to the completion and wrap-up of the development project for the backup of the CHR interface.



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Delaware Health Information Network  
Baltimore, Maryland

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Delaware Health Information Network (DHIN) as of and for the year ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise DHIN's basic financial statements as listed in the table of contents.

### ***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.

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to DHIN'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 DHIN'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 DHIN as of June 30, 2020, and the change in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 7 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Prior Year Financial Statements***

The 2019 financial statements were audited by other auditors, whose report dated October 1, 2019, expressed an unmodified opinion on those statements.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2021, on our consideration of DHIN'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 result of that testing, and not to provide an opinion on the effectiveness of the DHIN'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 DHIN's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
December 15, 2021

**DELAWARE HEALTH INFORMATION NETWORK  
STATEMENTS OF NET POSITION  
JUNE 30 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 6,137,176	\$ 5,114,272
Accounts Receivable, Net	1,339,100	1,004,154
Prepaid Expenses	120,126	207,605
Total Current Assets	7,596,402	6,326,031
<b>CAPITAL ASSETS</b>		
Property, Plant, and Equipment, Net	41,544	104,964
<b>OTHER ASSETS</b>		
Lease Deposit	6,979	6,979
Total Assets	\$ 7,644,925	\$ 6,437,974
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 1,245,794	\$ 1,183,101
Accrued Expenses	5,588	246,238
Deferred Revenue	29,669	96,513
Long Term Liability- Current	227,599	-
Total Current Liabilities	1,508,650	1,525,852
Long Term Liability- Noncurrent	277,968	-
Total Liabilities	1,786,618	1,525,852
<b>NET POSITION</b>		
Investment in Net Capital Assets	41,544	104,964
Unrestricted	5,816,763	4,807,158
Total Net Position	5,858,307	4,912,122
Total Liabilities and Net Position	\$ 7,644,925	\$ 6,437,974

See accompanying Notes to Financial Statements.

**DELAWARE HEALTH INFORMATION NETWORK  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUE</b>		
Core Services:		
Results Delivery	\$ 4,687,286	\$ 4,395,766
Community Health Record (CHR)	3,077,767	3,112,409
Total Core Services	<u>7,765,053</u>	<u>7,508,175</u>
Value Added Services:		
Other Professional Services - DHCC	124,380	1,243,267
Professional Services	197,354	126,881
CHR-Viewing by Providers	121,107	125,109
Encounter Notification Services	80,425	39,983
Image Viewing	14,619	38,056
Medication History Access	13,630	28,150
Total Value Added Services	<u>551,515</u>	<u>1,601,446</u>
Total Operating Revenue	8,316,568	9,109,621
<b>OPERATING EXPENSES</b>		
Personnel	4,468,143	4,244,076
Licenses and Software Maintenance	2,888,129	3,204,000
Contractual (Nontechnical)	918,521	846,813
Technology Refresh	-	846,290
Administration	563,522	526,068
Implementation Costs	90,021	404,138
Marketing	113,767	102,113
Depreciation and Amortization	63,420	75,198
Total Operating Expenses	<u>9,105,523</u>	<u>10,248,696</u>
<b>OPERATING LOSS</b>	(788,955)	(1,139,075)
<b>NONOPERATING REVENUE</b>		
Grant Revenue	867,247	413,132
State Appropriation	509,546	-
DCHI Contributions	320,000	532,950
Interest Income	38,347	48,985
Total Nonoperating Revenue	<u>1,735,140</u>	<u>995,067</u>
<b>CHANGE IN NET POSITION</b>	946,185	(144,008)
Net Position - Beginning of Year	<u>4,912,122</u>	<u>5,056,130</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 5,858,307</u>	<u>\$ 4,912,122</u>

See accompanying Notes to Financial Statements.

**DELAWARE HEALTH INFORMATION NETWORK  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 7,914,778	\$ 8,999,770
Cash Payments to Suppliers	(4,664,438)	(5,812,238)
Cash Payments to Employees	<u>(4,468,143)</u>	<u>(4,224,371)</u>
Net Cash Used by Operating Activities	(1,217,803)	(1,036,839)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Income	38,347	48,985
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Paycheck Protection Program Loan	505,567	-
DCHI Contributions	320,000	532,950
Non-Operating Grant Revenue	<u>1,376,793</u>	<u>413,132</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,022,904	(41,772)
Cash and Cash Equivalents - Beginning of Year	<u>5,114,272</u>	<u>5,156,044</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 6,137,176</u>	<u>\$ 5,114,272</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net Income/(Operating Loss)	\$ (788,955)	\$ (1,139,075)
Adjustments to Reconcile Net Income / Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	63,420	75,198
(Increase) Decrease in Assets:		
Accounts Receivable	(334,946)	(106,346)
Prepaid Expenses	87,479	(37,376)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(177,957)	174,265
Deferred Revenue	<u>(66,844)</u>	<u>(3,505)</u>
Net Cash Used by Operating Activities	<u>\$ (1,217,803)</u>	<u>\$ (1,036,839)</u>

See accompanying Notes to Financial Statements.

**DELAWARE HEALTH INFORMATION NETWORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 NATURE OF ACTIVITIES**

**Reporting Entity**

Delaware Code, Title 16, Chapter 103, effective January 1, 2011, created a public instrumentality of the State of Delaware known as the Delaware Health Information Network (DHIN). DHIN is governed by 19 voting directors. Of these 19 directors, 15 are appointed by the State's Governor. The Director of the Office of Management and Budget, the Chief Information Officer of the Department of Technology and Information, the Secretary of the Department of Health and Social Services, and the Comptroller General, or their designees, serve as the remaining four directors.

DHIN is a related organization of the State and has not met the criteria to be included in the State's Comprehensive Annual Financial Report. DHIN's activities are financed and operated as an enterprise fund such that costs and expenses of providing services are recovered primarily through user charges.

DHIN is the sole corporate member of the Delaware Center for Health Innovation, Inc. (DCHI), a charitable nonstock corporation, incorporated in the State of Delaware during April 2014. DCHI was created specifically to support and benefit the State of Delaware and the citizens thereof by furthering the efforts of the Delaware Health Care Commission (Commission), an independent public instrumentality established pursuant to *16 Del. C. §§ 9902*, and DHIN. DCHI's bylaws provide DHIN with the ability to both appoint the voting majority of the board and impose its will.

DHIN follows GASB Statement No. 80, *Blending Requirements for Certain Component Units*, which requires blending of a component unit if the component unit is organized as a nonprofit corporation in which the primary government is the sole corporate member. As such, DCHI's financial statements, as of and for the years ended December 31, 2020 and 2019, have been blended with those of DHIN, as of and for the year ended June 30, 2020 and 2019, (collectively referred to as the Organization).

**Organization and Operations**

DHIN was created as a public-private partnership for the benefit of all citizens of Delaware to advance the creation of a statewide health information network and to address Delaware's needs for timely, reliable, and relevant health care information.

DHIN's major operation is the design and implementation of an integrated, statewide health data system. This health care system shares real-time clinical information among all health care providers (office practices, hospitals, labs, diagnostic facilities, etc.) across the state to improve patient outcomes and patient-provider relationships, while reducing service duplication and the rate of increase in health care spending.

DCHI is a privately funded nonprofit collaboration between public and private organizations, designed to move the state towards a system of care that is driven by quality, value-based payment, and better population health outcomes.

**DELAWARE HEALTH INFORMATION NETWORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 NATURE OF ACTIVITIES (CONTINUED)**

**Organization and Operations (Continued)**

DHIN and DCHI are not health care providers and are not subject to claims under Delaware Code Title 18 Chapter 68. In addition, DHIN and DCHI have no power, unless expressly granted, to pledge the credit or create any debt or liability of the State or any agency thereof.

The Organization's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing U.S. GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established and used by the Organization are discussed in Note 2 of the financial statements.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. The financial statements of the Organization have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, fees, charges, and other exchange revenues are recognized when earned, and expenses are recognized when incurred. Nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met.

**Operating Revenues and Expenses**

The Organization's operating revenues and expenses consist of charges for services. The Organization's operating expenses consist of the cost of providing those services. Core revenue is shown net of discounts and allowances of \$0 for the years ended June 30, 2020 and 2019, respectively.

**Non- Operating Revenues and Expenses**

Cash receipts from grants for specific services related to operating activities, contributions, interest income earned on cash in bank accounts and appropriation from the State of Delaware.

**DELAWARE HEALTH INFORMATION NETWORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

Cash and cash equivalents are demand deposits, short-term investments, and other deposits held by financial institutions with original maturities of three months or less. At June 30, 2020 and 2019, cash and cash equivalents consisted only of demand deposits held by financial institutions.

*Cash in Excess of Insured Limits* – DHIN maintains cash balances at one financial institution located in Dover, Delaware. All deposit accounts were insured up to \$250,000 per institution by the Federal Deposit Insurance Corporation. Uninsured cash balances at June 30, 2020 and 2019 totaled \$5,720,663 and \$4,730,088, respectively.

*Concentration of Credit Risk*– Concentration of credit risk is the risk of loss attributed to the magnitude of DHIN’s deposit accounts with a single issuer.

*Custodial Credit Risk*– Custodial credit risk is the risk that, in the event of the failure of the counterparty, DHIN would not be able to recover the value of its of uncollateralized deposits that are in the possession of an outside party. Deposit accounts are exposed to custodial risk if the deposits are uninsured, are not registered the name of DHIN, and are held by either (a) the counterparty or (b) the counterparty’s trust department or agent, but not DHIN’s name.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP 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 and expenses during the reporting period. Actual results could differ from those estimates.

**Receivables**

All receivables are reported net of estimated uncollectible amounts. Accounts are written off when management deems, they are uncollectible. DHIN determined that all accounts receivable as collectible as of June 30, 2020 and 2019, an allowance was deemed to be unnecessary.

**Prepaid Expenses**

Prepaid expenses represent payments for expenses that have not been incurred as of year-end. Prepaid expenses as of June 30, 2020 and 2019 consist of software support expenses.

**Capital Assets**

The Organization capitalizes all software and equipment with costs of \$5,000 or greater per unit. Capital assets are depreciated and amortized using the straight-line method over the estimated useful life of the related asset.

**DELAWARE HEALTH INFORMATION NETWORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Revenue**

The Organization's deferred revenue consists of cash received for which the services have not yet been provided. The Organization will recognize the revenue once they have performed these services.

**Net Position**

GASB defines net position into three categories:

*Investment in Net Capital Assets* – Consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

*Restricted Net Position* – Components of net position that are externally restricted by creditors (such as through debt covenants), grantors (both federal and state), contributors, or laws or regulations of other governments. Restrictions may also be imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Position* – Components of net position whose use is not externally restricted, although their use may be limited by other factors such as board designation.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Organization's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**Contractual (Nontechnical) Expense**

The Organization expenses costs as incurred for project development and management. Costs relating to project development and management include expenses for travel, equipment, and consulting.

**Operations Expense**

DHIN expenses costs as incurred for data center support and help desk functions involved with maintaining the DHIN system. DCHI's expenses costs are incurred for maintaining the central office which supports DCHI's initiatives.

**Income Taxes**

The Organization meets the definition of an affiliate of a government unit as defined by the Internal Revenue Service and is exempt from federal income tax under section 501(a). In addition, the Organization is exempt from filing Form 990, Return of Organization Exempt from Income Tax under section 1.6033-2(g)(6) of the Income Tax Regulations.

**DELAWARE HEALTH INFORMATION NETWORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

The Organization's policy is to evaluate events and transactions subsequent to its year end for potential recognition in the financial statements or disclosure in the notes to the financial statements. Management has evaluated all events and transactions through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

**NOTE 3 RELATED-PARTY TRANSACTIONS**

Certain members of DHIN's Board of Directors hold key positions in organizations that utilize DHIN. Activity with these organizations as of and during the years ended June 30, 2020 and 2019 is as follows:

- DHIN received \$3,368,424 and \$3,178,732 for results delivery revenue from related parties for fiscal years 2020 and 2019, respectively. At June 30, 2020 and 2019, \$328,996 and \$409,260, respectively, was due from related data senders.
- DHIN received \$1,102,524 and \$1,099,802 in community health record fees from the State Employee Health Fund for fiscal years 2020 and 2019, respectively. As of June 30, 2020, and 2019, \$90,569 and \$67,348, respectively, was due from the State Employee Health Fund.
- DHIN provides services to managed care organizations (MCOs) who are contracted with the State of Delaware to deliver Medicaid program health care services on behalf of the Division of Medicaid. DHIN received \$1,763,399 and \$1,799,530 in community health record fees from the MCOs for FY 2020 and FY 2019, respectively. At June 30, 2020 and 2019, \$153,822 and \$44,352, respectively was due from these MCOs.
- For FY 2020, DHIN received \$118,699 and \$39,845 in professional service income from the Delaware Healthcare Commission and the Division of Public Health, respectively. As of June 30, 2020, \$39,845 was due from the Division of Public Health. For FY 2019, DHIN received \$1,243,267 and \$43,825 in professional service income from the Delaware Healthcare Commission and the Division of Public Health, respectively. As of June 30, 2019, \$3,652 was due from the Division of Public Health.
- For FY 2020 and FY 2019, DHIN received \$509,545 and \$413,132, respectively, in nonoperating revenue from the State of Delaware appropriation funding to cover expenses incurred in support of the Health Care Claims Database (HCCD). As of June 30, 2020 and 2019, \$0 and \$169,725, respectively, was due from the State of Delaware.

**DELAWARE HEALTH INFORMATION NETWORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 3 RELATED PARTY TRANSACTIONS (CONTINUED)**

- DCHI receives nonoperating revenue in the form of contributions and grants from organizations who participate on DHIN's board of directors. DCHI received \$256,000 and \$356,000 in contributions during 2019 and 2018, respectively

**NOTE 4 LEASE AGREEMENTS**

DHIN leases office space and equipment under operating lease arrangements expiring through fiscal year June 30, 2022. The office space lease agreement, effective through June 30, 2020, gives DHIN the option to extend the lease for additional terms of not less than one-year increments. DHIN must provide the lessor with notice no less than six months prior to the exercise option. Rental expense for the years ended June 30, 2020 and 2019 totaled \$105,351 and \$110,606, respectively.

DCHI leases a mailbox and conference room (access only) under a month-to-month lease agreement. The agreement may be terminated by either party by giving 60 days advance written notice of cancellation. Rental expense for the years ended December 31, 2020 and 2019 totaled \$1,200 and \$1,200, respectively.

As of June 30, 2020, future minimum lease payments under noncancelable operating leases are approximately:

<u>Year Ending June 30,</u>	<u>Office Space</u>	<u>Equipment</u>
2021	\$ 100,368	\$ 6,187
2022	102,804	3,093
Total	<u>\$ 203,172</u>	<u>\$ 9,280</u>

**NOTE 5 PROPERTY, EQUIPMENT, AND SOFTWARE**

Property, equipment, and software consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Furniture and Equipment	\$ 14,458	\$ 14,458
Software	395,988	395,988
Total	410,446	410,446
Accumulated Depreciation and Amortization	(368,902)	(305,482)
Property, Equipment, and Software, Net	<u>\$ 41,544</u>	<u>\$ 104,964</u>

**DELAWARE HEALTH INFORMATION NETWORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 6 LONGTERM LIABILITY**

	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020	Due within a year
Paycheck Protection Loan	\$ -	\$ 505,567	\$ -	\$ 505,567	227,599

Paycheck Protection Program:

The Coronavirus Aid, Relief and Economic Security Act (CARES Act) was enacted to help protect businesses and employees during the COVID-19 pandemic. Included in the CARES Act is the Paycheck Protection Program (PPP), which enables the Small Business Administration (SBA) to guarantee low-interest rate loans to certain entities. The PPP loans may be partially or fully forgiven if employees are retained and funds are used for eligible expenses.

DHIN was approved for an 18-month, 1% interest PPP loan in the amount of \$505,567 on May 1, 2020. Principal and interest payments are due after a 7-month deferment period from the loan issuance date. Interest will accrue on the disbursed loan balance during the deferment period.

The loan principal of \$28,450.39 and interest are due the 15<sup>th</sup> of each month.

Principal and interest payments for the years ended June 30:

	<u>Principal</u>	<u>Interest</u>
2021	\$ 227,599	\$ 2,715
2022	277,968	1,279
Total	<u>\$ 505,567</u>	<u>\$ 3,994</u>

**NOTE 7 RETIREMENT BENEFITS**

DHIN sponsors a defined contribution plan covering all full-time employees. At June 30, 2020 and 2019, there were 31 and 26 plan members, respectively. Employees may contribute to the plan immediately upon employment and contributions are matched 3%. Defined contribution expense for DHIN was \$88,637 and \$78,807 for the years ended June 30, 2020 and 2019, respectively. Plan provisions and contribution requirements are established and may be amended by DHIN's board of directors.

DCHI employees do not participate in the defined contribution plan.

**DELAWARE HEALTH INFORMATION NETWORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 8 CONCENTRATIONS**

Large volumes of business transacted with a particular customer, supplier, lender, grantor, or contributor may lead to an organization having a concentration in that particular area. The Organization experienced the following concentrations during the years ended June 30, 2020 and 2019:

*Major Customers* – Two major customers accounted for approximately 57% of DHIN's results delivery revenue for the year ended June 30, 2020 and 2019. Two major customers accounted for approximately 53% of DHIN's results delivery revenue for the year ended June 30, 2020 and 2019. Each of the two major customers were related parties (Note 3).

**NOTE 9 NET POSITION**

At June 30, 2020 and 2019, the Organization had no restricted components of net position.

**NOTE 10 COMMITMENTS AND CONTINGENCIES**

DHIN is contracted with a vendor through fiscal year 2024 to support the implementation of a database and provide technical expertise on data processing and validation. At June 30, 2020, future expected costs under these contracts totaled \$1,117,842 which is expected to be disbursed between fiscal year 2021 and 2024.

In the normal course of business, there are various commitments and contingences outstanding which are not reflected in these financial statements. In the opinion of management, the outcome of such events, if any, will not have a material effect on the Organization's financial statements.

**NOTE 11 SUBSEQUENT EVENTS**

In December 2020, DHIN received a waiver for the paycheck protection program loan and will realize the funds to support employee salaries for fiscal year 2021.

**DELAWARE HEALTH INFORMATION NETWORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 12 CONDENSED COMBINING INFORMATION**

In accordance with GASB 61, which allows governments engaged only in business-type activities that use a single column for financial statement presentation to blend a component unit by consolidating its financial statement data within the single column of the primary government's presentation, DCHI's financial statements for the years ended December 31, 2019 and 2018 have been consolidated with those of DHIN's for the years ended June 30, 2020 and 2019 within a single column on DHIN's statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows. The following is condensed combining information as of and for the years ended June 30, 2020 and 2019:

Condensed Combining Statement of Net Position  
June 30, 2020

	<b>DHIN</b>	<b>DCHI</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 5,973,236	\$ 163,940	\$ 6,137,176
Receivables, Net:	1,313,100	26,000	1,339,100
Prepaid Expenses	120,126	-	120,126
Total Current Assets	7,406,462	189,940	7,596,402
		-	
<b>Capital Assets</b>			
Property, Equipment, and Software Net	41,544	-	41,544
<b>Other Assets</b>			
Lease Deposit	6,979	-	6,979
Total Assets	<b>\$ 7,454,985</b>	<b>\$ 189,940</b>	<b>\$ 7,644,925</b>
<b>LIABILITIES AND NET POSITION</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 1,233,645	\$ 12,149	\$ 1,245,794
Accrued Expenses	-	5,588	5,588
Deferred Revenue	29,669	-	29,669
Long Term Liability- Current	227,599	-	227,599
Total Current Liabilities	1,490,913	17,737	1,508,650
Long Term Liability- Noncurrent	277,968	-	277,968
Total Liabilities	1,768,881	17,737	1,786,618
<b>Net Position</b>			
Investment in Net Capital Assets			
Related Debt	41,544	-	41,544
Unrestricted	5,644,560	172,203	5,816,763
Total Net Position	5,686,104	172,203	5,858,307
Total Liabilities and Net Position	<b>\$ 7,454,985</b>	<b>\$ 189,940</b>	<b>\$ 7,644,925</b>

**DELAWARE HEALTH INFORMATION NETWORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 10 CONDENSED COMBINING INFORMATION (CONTINUED)**

Condensed Combining Statement of Net Position  
June 30, 2019

	<b>DHIN</b>	<b>DCHI</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 4,979,925	\$ 134,347	\$ 5,114,272
Receivables, Net:	964,154	40,000	1,004,154
Prepaid Expenses	207,605	-	207,605
Total Current Assets	6,151,684	174,347	6,326,031
<b>Capital Assets</b>			
Property, Equipment, and Software Net	104,964	-	104,964
<b>Other Assets</b>			
Lease Deposit	6,979	-	6,979
Total Assets	\$ 6,263,627	\$ 174,347	\$ 6,437,974
<b>LIABILITIES AND NET POSITION</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 1,143,839	\$ 39,262	\$ 1,183,101
Accrued Expenses	246,238	-	246,238
Deferred Revenue	96,513	-	96,513
Total Current Liabilities	1,486,590	39,262	1,525,852
Total Liabilities	1,486,590	39,262	1,525,852
<b>Net Position</b>			
Investment in Net Capital Assets			
Related Debt	104,964	-	104,964
Unrestricted	4,672,073	135,085	4,807,158
Total Net Position	4,777,037	135,085	4,912,122
Total Liabilities and Net Position	\$ 6,263,627	\$ 174,347	\$ 6,437,974

**DELAWARE HEALTH INFORMATION NETWORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 10 CONDENSED COMBINING INFORMATION (CONTINUED)**

Condensed Combining Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30, 2020

	<u>DHIN</u>	<u>DCHI</u>	<u>Total</u>
<b>Operating Revenue</b>			
Core Services:			
Results Delivery	\$ 4,687,286	\$ -	\$ 4,687,286
Community Health Record (CHR)	3,077,767	-	3,077,767
Total Core Services	<u>7,765,053</u>	-	<u>7,765,053</u>
Value Added Services:			
CHR-Viewing by Providers	121,107	-	121,107
Medication History Access	13,630	-	13,630
Encounter Notification Services	80,425	-	80,425
Image Viewing	14,619	-	14,619
Professional Services	197,354	-	197,354
Other Professional Services - DHCC	124,380	-	124,380
Total Value Added Services	<u>551,515</u>	-	<u>551,515</u>
Total Operating Revenue	<u>8,316,568</u>	-	<u>8,316,568</u>
<b>Operating Expenses</b>			
Personnel	4,347,991	120,152	4,468,143
Licenses and Software Maintenance	2,888,129	-	2,888,129
Contractual (Nontechnical)	779,140	139,381	918,521
Administration	540,173	23,349	563,522
Implementation Costs	90,021	-	90,021
Marketing	113,767	-	113,767
Depreciation and Amortization	63,420	-	63,420
Total Operating Expenses	<u>8,822,641</u>	<u>282,882</u>	<u>9,105,523</u>
<b>Operating Loss</b>	(506,073)	(282,882)	(788,955)
<b>Nonoperating Revenue</b>			
Grant Revenue	867,247	-	867,247
State Appropriation	509,546	-	509,546
DCHI Contributions	-	320,000	320,000
Interest Income	38,347	-	38,347
Total Nonoperating Revenue	<u>1,415,140</u>	<u>320,000</u>	<u>1,735,140</u>
<b>Change in Net Position</b>	909,067	37,118	946,185
Net Position - Beginning of Year	<u>4,777,037</u>	<u>135,085</u>	<u>4,912,122</u>
<b>Net Position - End of Year</b>	<u>\$ 5,686,104</u>	<u>\$ 172,203</u>	<u>\$ 5,858,307</u>

**DELAWARE HEALTH INFORMATION NETWORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 10 CONDENSED COMBINING INFORMATION (CONTINUED)**

Condensed Combining Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30, 2019

	<u>DHIN</u>	<u>DCHI</u>	<u>Total</u>
<b>Operating Revenue</b>			
Core Services:			
Results Delivery	\$ 4,395,766	\$ -	\$ 4,395,766
Community Health Record (CHR)	3,112,409	-	3,112,409
Total Core Services	<u>7,508,175</u>	-	<u>7,508,175</u>
Value Added Services:			
Other Professional Services - DHCC	1,243,267	-	1,243,267
Professional Services	126,881	-	126,881
CHR-Viewing by Providers	125,109	-	125,109
Encounter Notification Services	39,983	-	39,983
Image Viewing	38,056	-	38,056
Medication History Access	28,150	-	28,150
Total Value Added Services	<u>1,601,446</u>	-	<u>1,601,446</u>
Total Operating Revenue	9,109,621	-	9,109,621
<b>Operating Expenses</b>			
Personnel	3,994,519	249,557	4,244,076
Licenses and Software Maintenance	3,204,000	-	3,204,000
Contractual (Nontechnical)	527,044	319,769	846,813
Technology Refresh	846,290	-	846,290
Administration	505,526	20,542	526,068
Implementation Costs	404,138	-	404,138
Marketing	102,113	-	102,113
Depreciation and Amortization	75,198	-	75,198
Total Operating Expenses	<u>9,658,828</u>	<u>589,868</u>	<u>10,248,696</u>
<b>Operating Loss</b>	(549,207)	(589,868)	(1,139,075)
<b>Nonoperating Revenue</b>			
Grant Revenue	413,132	-	413,132
Contributions	-	532,950	532,950
Interest Income	48,985	-	48,985
Total Nonoperating Revenue	<u>462,117</u>	<u>532,950</u>	<u>995,067</u>
<b>Change in Net Position</b>	(87,090)	(56,918)	(144,008)
Net Position - Beginning of Year	<u>4,864,127</u>	<u>192,003</u>	<u>5,056,130</u>
<b>Net Position - End of Year</b>	<u>\$ 4,777,037</u>	<u>\$ 135,085</u>	<u>\$ 4,912,122</u>

**DELAWARE HEALTH INFORMATION NETWORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 10 CONDENSED COMBINING INFORMATION (CONTINUED)**

Condensed Combining Statement of Cash Flows  
Year Ended June 30, 2020

	<u>DHIN</u>	<u>DCHI</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$ 7,900,778	\$ 14,000	\$ 7,914,778
Cash Payments to Suppliers	(4,480,183)	(184,255)	(4,664,438)
Cash Payments to Employees	<u>(4,347,991)</u>	<u>(120,152)</u>	<u>(4,468,143)</u>
Net Cash Provided (Used) by Operating Activities	(927,396)	(290,407)	(1,217,803)
<b>Cash Flows From Investing Activities</b>			
Interest Income	38,347	-	38,347
<b>Cash Flows from Noncapital Financing Activities</b>			
Paycheck Protection Program Loan	505,567	-	505,567
DCHI Contributions	-	320,000	320,000
Non-Operating Grant Revenue	<u>1,376,793</u>	<u>-</u>	<u>1,376,793</u>
<b>Net Change in Cash and Cash Equivalents</b>	993,311	29,593	1,022,904
Cash and Cash Equivalents - Beginning of Year	<u>4,979,925</u>	<u>134,347</u>	<u>5,114,272</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 5,973,236</u>	<u>\$ 163,940</u>	<u>\$ 6,137,176</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>			
Operating Loss	\$ (506,073)	\$ (282,882)	\$ (788,955)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities			
Depreciation and Amortization	63,420	-	63,420
(Increase) Decrease in Assets:			
Accounts Receivable	(348,946)	14,000	(334,946)
Prepaid Expenses	87,479	-	87,479
Increase (Decrease) in Liabilities:			
Accounts Payable and Accrued Expenses	(156,432)	(21,525)	(177,957)
Deferred Revenue	<u>(66,844)</u>	<u>-</u>	<u>(66,844)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (927,396)</u>	<u>\$ (290,407)</u>	<u>\$ (1,217,803)</u>

**DELAWARE HEALTH INFORMATION NETWORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 10 CONDENSED COMBINING INFORMATION (CONTINUED)**

Condensed Combining Statement of Cash Flows  
Year Ended June 30, 2019

	<b>DHIN</b>	<b>DCHI</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$ 8,999,770	\$ -	\$ 8,999,770
Cash Payments to Suppliers	(5,408,579)	(403,659)	(5,812,238)
Cash Payments to Employees	(3,974,814)	(249,557)	(4,224,371)
Net Cash Provided (Used) by Operating Activities	(383,623)	(653,216)	(1,036,839)
<b>Cash Flows From Investing Activities</b>			
Interest Income	48,985	-	48,985
<b>Cash Flows from Noncapital Financing Activities</b>			
DCHI Contributions	-	532,950	532,950
Non-Operating Grant Revenue	413,132	-	413,132
<b>Net Change in Cash and Cash Equivalents</b>	78,494	(120,266)	(41,772)
Cash and Cash Equivalents - Beginning of Year	4,901,431	254,613	5,156,044
<b>Cash and Cash Equivalents - End of Year</b>	\$ 4,979,925	\$ 134,347	\$ 5,114,272
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>			
Operating Loss	\$ (549,207)	\$ (589,868)	\$ (1,139,075)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities			
Depreciation and Amortization	75,198	-	75,198
(Increase) Decrease in Assets:			
Accounts Receivable	(106,346)	-	(106,346)
Prepaid Expenses	(37,376)	-	(37,376)
Increase (Decrease) in Liabilities:			
Accounts Payable	237,613	(63,348)	174,265
Accounts Payable and Accrued Expenses	-	-	-
Deferred Revenue	(3,505)	-	(3,505)
Net Cash Provided (Used) by Operating Activities	\$ (383,623)	\$ (653,216)	\$ (1,036,839)



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

Board of Directors  
Delaware Health Information Network  
Baltimore, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Delaware Health Information Network (DHIN), which comprise the statement of financial position as of June 30, 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2021.

***Internal Control over Financial Reporting***

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



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
December 15, 2021