

STATE OF DELAWARE

DELAWARE HEALTH INFORMATION NETWORK

FINANCIAL STATEMENT AUDIT
FOR FISCAL YEARS ENDED JUNE 30, 2020 AND 2021

DELAWARE HEALTH INFORMATION NETWORK FINANCIAL STATEMENT AUDIT

REPORT SUMMARY FOR FISCAL YEAR ENDED JUNE 30, 2020 AND 2021

BACKGROUND

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.



KEY INFORMATION AND FINDINGS

This audit contains an unmodified opinion of the financial statements. An unmodified opinion is sometimes referred to as a “clean” opinion, 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.

The waiver and extinguishment of the paycheck protection program (PPP) loan of \$505,567, was an extraordinary gain reported on the statement of changes of net position.

DHIN maintains uninsured cash balances at June 30, 2021 totaling \$3,817,195.



For any questions regarding the attached report, please contact OAOA_Comms@delaware.gov.

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FULL REPORT](#)**

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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, 2021 and 2020, 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, 2021 and 2020, and the change in their net assets and their cash flows for the years 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 3 through 8 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2022, 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 12, 2022

**DELAWARE HEALTH INFORMATION NETWORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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, 2021 and 2020.

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, 2021, 2020 and 2019, have been blended with those of DHIN as of and for the years ended June 30, 2021, 2020 and 2019, 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 25 percent and 19 percent as a result of FY 2021 and FY 2020 operations, respectively.
- The Organization's operating expenses were \$10,704,454 and \$9,105,523 for FY 2021 and 2020, respectively, which exceeded operating revenues by \$1,938,334 and \$788,955, respectively.
- The Organization's operating revenues were \$8,766,120 and \$8,316,567 for FY 2021 and 2020, respectively. Operating revenue increased \$449,553 (approximately 5%) for FY 2021 and decreased \$793,053 (approximately 10%) for FY 2020. The increase for FY 21 was due to an increase in core services: community health record, as DHIN's services are upward trending to the pre-pandemic volume. The decrease for FY 20 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.
- Nonoperating revenue increased \$961,008 (approximately 55%) for FY 2021 and by \$740,076 (approximately 74%) during FY 2020 because of the State of Delaware's appropriation funding in support of a grant for the Health Care Claims Database (HCCD) and increased contributions. For FY 21, DHIN received \$294,211 in American Rescue Plan (ARP) funds and an increase in Medicaid-CMS services of \$1,075,147.

**DELAWARE HEALTH INFORMATION NETWORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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, 2021**

Financial Analysis

ASSETS	<u>2021</u>	<u>2020</u>	<u>2019</u>
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 4,068,111	\$ 6,137,176	\$ 5,114,272
Investments	3,369,226	-	-
Receivables, Net:			
Trade	1,051,593	1,221,100	834,429
Federal and State	-	118,000	169,725
Prepaid Expenses	186,171	120,126	207,605
Total Current Assets	<u>8,675,101</u>	<u>7,596,402</u>	<u>6,326,031</u>
CAPITAL ASSETS			
Property and Equipment, Net	25,781	41,544	104,964
OTHER ASSETS			
Lease Deposit	6,979	6,979	6,979
	<u>6,979</u>	<u>6,979</u>	<u>6,979</u>
Total Assets	<u>\$ 8,707,861</u>	<u>\$ 7,644,925</u>	<u>\$ 6,437,974</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts Payable	\$ 1,479,010	\$ 1,245,794	\$ 1,183,101
Accrued Liabilities	-	5,588	246,238
Unearned Revenue	107,163	29,669	96,513
Long Term Liabilities- Current	-	227,599	-
Total Current Liabilities	<u>1,586,173</u>	<u>1,508,650</u>	<u>1,525,852</u>
LONG TERM LIABILITIES - NONCURRENT			
	<u>-</u>	<u>277,968</u>	<u>-</u>
Total Liabilities	1,586,173	1,786,618	1,525,852
NET POSITION			
Investment in Net Capital Assets	25,781	41,544	104,964
Unrestricted	7,095,907	5,816,763	4,807,158
Total Net Position	<u>7,121,688</u>	<u>5,858,307</u>	<u>4,912,122</u>
Total Liabilities and Net Position	<u>\$ 8,707,861</u>	<u>\$ 7,644,925</u>	<u>\$ 6,437,974</u>

**DELAWARE HEALTH INFORMATION NETWORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Financial Analysis—Continued

Total assets exceeded total liabilities by \$7,121,688, \$5,858,307, and \$4,912,122 as of June 30, 2021, 2020 and 2019, respectively.

Assets:

During FY 2021, 2020 and 2019, DHIN did not purchase any capital assets. Total depreciation and amortization expense for FY 2021, 2020, and 2019 was \$15,763, \$63,420, and \$75,198, respectively.

Accounts receivable in FY 2021 decreased \$287,507, (approximately 21%), mostly due to the decrease in due from federal and state governments. FY 2020 increased \$334,946 (approximately 33%) for FY 2021 and 2020 because 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 loan was fully forgiven by the lender as of June 30, 2021, DHIN recognized an extraordinary gain as a result of the debt being extinguished.

Accounts payable and accrued expenses increased \$227,628 and decreased \$177,957 (approximately 18% and 12%) for FY 2021 and 2020, respectively. The increases were due to services performed for Community Health Record (CHR) and Personal Health Record (PHR).

Net Position:

At June 30, 2021, 2020 and 2019, net position was not subject to external or internal restrictions.

Total unrestricted net position increased \$1,279,144 (approximately 22%) for FY 2021 and increased \$1,009,605 (approximately 21%) for FY 2020.

**DELAWARE HEALTH INFORMATION NETWORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Financial Analysis—Continued

	<u>2021</u>	<u>2020</u>	<u>2019</u>
OPERATING REVENUE			
Core Services:			
Results Delivery	\$ 4,655,315	\$ 4,687,287	\$ 4,395,766
Community Health Record (CHR)	3,326,021	3,077,766	3,112,409
Total Core Services	<u>7,981,336</u>	<u>7,765,053</u>	<u>7,508,175</u>
Value Added Services:			
CHR-Viewing by Providers	143,859	121,107	125,109
Medication History Access	18,850	13,630	28,150
Encounter Notification Services	116,414	80,425	39,983
Image Viewing	21,386	14,619	38,056
Professional Services	295,429	197,354	126,881
Other Professional Services - DHCC	188,846	124,380	1,243,267
Total Value Added Services	<u>784,784</u>	<u>551,515</u>	<u>1,601,446</u>
Total Operating Revenue	<u>8,766,120</u>	<u>8,316,568</u>	<u>9,109,621</u>
 OPERATING EXPENSES			
Personnel	4,961,307	4,468,143	4,244,076
Licenses and Software Maintenance	3,101,685	2,888,129	3,204,000
Contractual (Nontechnical)	1,227,001	918,521	846,813
Administration	547,823	563,522	526,068
Marketing	146,824	113,767	102,113
Implementation Costs	704,051	90,021	404,138
Depreciation and Amortization	15,763	63,420	75,198
Technology Refresh	-	-	846,290
Total Operating Expenses	<u>10,704,454</u>	<u>9,105,523</u>	<u>10,248,696</u>
 OPERATING LOSS	 (1,938,334)	 (788,955)	 (1,139,075)
 NONOPERATING REVENUE			
Grant Revenue- federal	2,236,605	867,247	413,132
State Appropriation	215,822	509,546	-
Contributions	167,381	320,000	532,950
Interest Income	76,340	38,347	48,985
Total Nonoperating Revenue	<u>2,696,148</u>	<u>1,735,140</u>	<u>995,067</u>
 Extraordinary Gain - Loan Forgiveness	 <u>505,567</u>	 <u>-</u>	 <u>-</u>
 CHANGE IN NET POSITION	 1,263,381	 946,185	 (144,008)
Net Position - Beginning of Year	<u>5,858,307</u>	<u>4,912,122</u>	<u>5,056,130</u>
 NET POSITION - END OF YEAR	 <u>\$ 7,121,688</u>	 <u>\$ 5,858,307</u>	 <u>\$ 4,912,122</u>

**DELAWARE HEALTH INFORMATION NETWORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Financial Analysis—Continued

The Organization's operating revenues for FY 2021 increased \$449,553 (approximately 5%) due to increase in core services: Community Health Record (CHR). Revenue decreased by \$793,053 (approximately 10%) for FY 2020, due to a decrease in DHIN's services to the Delaware Health Care Commission (DHCC).

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, 2021 and 2020, increased \$308,480 and \$71,708, respectively. The FY 2021 increase was due to contracted services for hospital transparency reporting. The increase in contractual expenses for FY 2020 related to expenses supporting the enhancements to the Healthcare Claims Database (HCCD).

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 increased \$213,556 and decreased \$315,871 for FY 2021 and FY 2020, 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 \$33,057 for FY 2021 and increased \$11,654 for FY 2020. FY 2021's increase was due to normal business activity, and FY 2020 increases was due to normal business activity.

Personnel expenses consist of costs for payroll and payroll-related expenses for employees increased \$493,164 for FY 2021 and increased \$224,067 for FY 2020. The overall increases were due to the salaries and associated costs for four new staff, in conjunction with merit increases for existing employees.

**DELAWARE HEALTH INFORMATION NETWORK
STATEMENTS OF NET POSITION
JUNE 30 2021 AND 2020**

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,068,111	\$ 6,137,176
Investments	3,369,226	-
Accounts Receivable, Net	1,051,593	1,339,100
Prepaid Expenses	186,171	120,126
Total Current Assets	8,675,101	7,596,402
CAPITAL ASSETS		
Property, Plant, and Equipment, Net	25,781	41,544
OTHER ASSETS		
Lease Deposit	6,979	6,979
Total Assets	\$ 8,707,861	\$ 7,644,925
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,479,010	\$ 1,245,794
Accrued Expenses	-	5,588
Unearned Revenue	107,163	29,669
Long Term Liability - Current	-	227,599
Total Current Liabilities	1,586,173	1,508,650
Long Term Liability - Noncurrent	-	277,968
Total Liabilities	1,586,173	1,786,618
NET POSITION		
Investment in Net Capital Assets	25,781	41,544
Unrestricted	7,095,907	5,816,763
Total Net Position	7,121,688	5,858,307
Total Liabilities and Net Position	\$ 8,707,861	\$ 7,644,925

See accompanying Notes to Financial Statements.

**DELAWARE HEALTH INFORMATION NETWORK
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
OPERATING REVENUE		
Core Services:		
Results Delivery	\$ 4,655,315	\$ 4,687,287
Community Health Record (CHR)	3,326,021	3,077,766
Total Core Services	7,981,336	7,765,053
Value Added Services:		
Other Professional Services - DHCC	188,846	124,380
Professional Services	295,429	197,354
CHR-Viewing by Providers	143,859	121,107
Encounter Notification Services	116,414	80,425
Image Viewing	21,386	14,619
Medication History Access	18,850	13,630
Total Value Added Services	784,784	551,515
Total Operating Revenue	8,766,120	8,316,568
OPERATING EXPENSES		
Personnel	4,961,307	4,468,143
Licenses and Software Maintenance	3,101,685	2,888,129
Contractual (Nontechnical)	1,227,001	918,521
Administration	547,823	563,522
Implementation Costs	704,051	90,021
Marketing	146,824	113,767
Depreciation and Amortization	15,763	63,420
Total Operating Expenses	10,704,454	9,105,523
OPERATING LOSS	(1,938,334)	(788,955)
NONOPERATING REVENUE		
Grant Revenue	2,236,605	867,247
State Appropriation	215,822	509,546
DCHI Contributions	167,381	320,000
Interest Income	76,340	38,347
Total Nonoperating Revenue	2,696,148	1,735,140
Extraordinary Gain - Loan Forgiveness	505,567	-
CHANGE IN NET POSITION	1,263,381	946,185
Net Position - Beginning of Year	5,858,307	4,912,122
NET POSITION - END OF YEAR	\$ 7,121,688	\$ 5,858,307

See accompanying Notes to Financial Statements.

**DELAWARE HEALTH INFORMATION NETWORK
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 9,131,121	\$ 7,914,778
Cash Payments to Suppliers	(5,565,801)	(4,664,438)
Cash Payments to Employees	(4,961,307)	(4,468,143)
Net Cash Used by Operating Activities	(1,395,987)	(1,217,803)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investment	(3,369,226)	-
Interest Income	76,340	38,347
Net Cash Provided (Used) by Investing Activities	(3,292,886)	38,347
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Paycheck Protection Program Loan	-	505,567
DCHI Contributions	167,381	320,000
Nonoperating Grant Revenue	2,452,427	1,376,793
Net Cash Provided by Noncapital Financing Activities	2,619,808	2,202,360
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,069,065)	1,022,904
Cash and Cash Equivalents - Beginning of Year	6,137,176	5,114,272
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,068,111	\$ 6,137,176
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (1,938,334)	\$ (788,955)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation and Amortization	15,763	63,420
(Increase) Decrease in Assets:		
Accounts Receivable	287,507	(334,946)
Prepaid Expenses	(66,045)	87,479
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	227,628	(177,957)
Unearned Revenue	77,494	(66,844)
Net Cash Used by Operating Activities	\$ (1,395,987)	\$ (1,217,803)
NONCASH NONCAPITAL FINANCING ACTIVITIES		
Debt Forgiveness for Paycheck Protection Program Loan	\$ 505,567	\$ -

See accompanying Notes to Financial Statements.

**DELAWARE HEALTH INFORMATION NETWORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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, 2021 and 2020, have been blended with those of DHIN, as of and for the years ended June 30, 2021 and 2020, (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, 2021 AND 2020**

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. For the years ended June 30, 2021 and 2020 there were no discounts or allowances.

Nonoperating 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, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents and Investments

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, 2021 and 2020, 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, 2021 and 2020 totaled \$3,817,195 and \$5,720,663, respectively.

DHIN's investments at June 30, 2021, are presented below. All investments are identified by investment type and individual investment maturity (expressed in thousands).

Investment Type:	Fair Value	Less Than 3 Months-12 Months	Percent	Max Allowed per Investment Policy
Debt Securities	\$ 1,705,693	\$ 1,705,693	50.60%	50.60%
Equity Securities	1,663,533	1,663,533	49.40%	49.40%
Total Invested	<u>\$ 3,369,226</u>	<u>\$ 3,369,226</u>	<u>100%</u>	<u>100.00%</u>
 Total Investments	 <u>\$ 3,369,226</u>			

Risk Classifications:

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. For investments, the concentration risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. DHIN limits investments to highly rated investments rated by the S&P. DHIN does not have any individual issuer limits. DHIN's investment policy does not permit investments in short sales, purchase of letter stock or private placements, leveraged transactions, purchases of securities not readily marketable, commodities transactions, real estate, limited partnerships, hedge funds, alcohol, tobacco, gaming or adult entertainment business.

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. Custodial credit risk for investments is the risk that in the event of a failure of the counterparty to a transaction, DHIN will not be able to recover the value of investments or collateral securities that are in possession of an outside party. DHIN's investments are fully collateralized.

**DELAWARE HEALTH INFORMATION NETWORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents and Investments (Continued)

Risk Classifications (Continued):

Interest Rate Risk- Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of investments. Fair value fluctuates with interest rates and increasing interest rates could cause fair value to decline below original cost. To limit DHIN's exposure to fair value losses arising from increasing interest rates and to remain sufficiently liquid to enable DHIN to meet all operating requirements which might be anticipated. DHIN's investment policy limits investments to stock and bonds held in mixed index-based funds. The investment is collateralized by the securities in the fund. Interest income is reported as nonoperating income on the statement of changes in net position.

Investments and Valuation

DHIN categorizes its investments using the fair value measurements identified in the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets

Level 2 – Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer, or broker-traded transactions. Transactions are recorded on the trade date. Realized gains and losses are determined using the identified cost method. Any change in net unrealized gain or loss from the preceding period is reported in the statement of revenues, expenses, and changes in net position. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis. Following is a description of the valuation methodologies used for assets measured at fair value. DHIN investments are comprised of money market funds, fixed income securities, commercial paper and U.S. government securities and are valued at their Fair Market Value (FMVs) or amortized cost.

**DELAWARE HEALTH INFORMATION NETWORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents and Investments (Continued)

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

DHIN had the following recurring fair value measurements as of June 30, 2022:

	Level 1	Level 2	Level 3	Balance June 30, 2022
Investments by Fair Value Level:				
Debt Securities	\$ 1,705,693	\$ -	\$ -	\$ 1,705,693
Equity Securities	1,663,533	-	-	1,663,533
Total Investments by Fair Value Level	<u>\$ 3,369,226</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,369,226</u>
Total Investments	<u>\$ 3,369,226</u>			

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, 2021 and 2020, 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, 2021 and 2020 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.

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.

**DELAWARE HEALTH INFORMATION NETWORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Extraordinary gain

An extraordinary gain is a gain resulting from a business transaction that is rare and highly unusual. The waiver and extinguishment of the paycheck protection program (PPP) loan of \$505,567, was an extraordinary gain reported on the statement of changes of net position.

**DELAWARE HEALTH INFORMATION NETWORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 RELATED-PARTY TRANSACTIONS

Certain members of DHIN's Board of Directors hold key positions in organizations that utilize the services of DHIN. Activity with these organizations as of and during the years ended June 30, 2021 and 2020 is as follows:

- DHIN received \$3,322,432 and \$3,368,424 for results delivery revenue from related party businesses for fiscal years 2021 and 2020, respectively. At June 30, 2021 and 2020, \$422,983 and \$328,996, respectively, was due from related party data senders for these services.
- DHIN received \$1,089,865 and \$1,102,524 in community health record fees from the State Employee Health Fund for fiscal years 2021 and 2020, respectively. As of June 30, 2021, and 2020, \$90,829 and \$90,569, 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 \$1,975,355 and \$1,763,399 in community health record fees from the MCOs for FY 2021 and FY 2020, respectively. At June 30, 2021 and 2020, \$106,290 and \$153,822, respectively was due from these MCOs.
- For FY 2021 and 2020, DHIN received \$280,384 and \$39,845 in professional service income from the Delaware Healthcare Commission and the Division of Public Health, respectively.
- For FY 2021 and FY 2020, DHIN received \$215,822 and \$509,545, 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, 2021 and 2020, none of the appropriation was due from the State of Delaware.

DCHI receives nonoperating revenue in the form of contributions and grants from organizations who participate on DHIN's Board of Directors. DCHI received \$167,381 and \$320,000 in contributions during 2021 and 2020, respectively.

**DELAWARE HEALTH INFORMATION NETWORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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, 2021 and 2020 totaled \$106,629 and \$105,351, 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, 2021 and 2020 totaled \$1,200 and \$1,200, respectively.

As of June 30, 2021, future minimum lease payments under noncancelable operating leases are approximately:

<u>Year Ending June 30,</u>	<u>Office Space</u>	<u>Equipment</u>
2022	\$ 102,804	\$ 3,093
Total	\$ 102,804	\$ 3,093

NOTE 5 PROPERTY, EQUIPMENT, AND SOFTWARE

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

	<u>2021</u>	<u>2020</u>
Furniture and Equipment	\$ 14,458	\$ 14,458
Software	395,988	395,988
Total	410,446	410,446
Accumulated Depreciation and Amortization	(384,665)	(368,902)
Property, Equipment, and Software, Net	\$ 25,781	\$ 41,544

NOTE 6 LONGTERM LIABILITY

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. In December 2020, the paycheck protection program loan debt was extinguished by the lender in accordance with guidance from the U.S. Treasury. DHIN recognized an extraordinary gain of \$505,567.

**DELAWARE HEALTH INFORMATION NETWORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 RETIREMENT BENEFITS

DHIN sponsors a defined contribution plan covering all full-time employees. At June 30, 2021 and 2020, there were 31 and 31 plan members, respectively. Employees may contribute to the plan immediately upon employment and contributions are matched 3%. Defined contribution expense for DHIN was \$97,787 and \$88,637 for the years ended June 30, 2021 and 2020, 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.

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, 2021 and 2020:

Major Customers – Two major customers accounted for approximately 53% of DHIN's results delivery revenue for the year ended June 30, 2021 and 57% for FY 2020. Each of the two major customers were related parties (Note 3).

NOTE 9 NET POSITION

At June 30, 2021 and 2020, 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, 2021, future expected costs under these contracts totaled \$805,886 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.

**DELAWARE HEALTH INFORMATION NETWORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 11 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, 2021 and 2020 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, 2021 and 2020:

Condensed Combining Statement of Net Position
June 30, 2021

	<u>DHIN</u>	<u>DCHI</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 3,976,119	\$ 91,992	\$ 4,068,111
Investments	3,369,226	-	3,369,226
Receivables, Net	1,051,593	-	1,051,593
Prepaid Expenses	186,171	-	186,171
Total Current Assets	<u>8,583,109</u>	<u>91,992</u>	<u>8,675,101</u>
CAPITAL ASSETS			
Property, Equipment, and Software Net	25,781	-	25,781
OTHER ASSETS			
Lease Deposit	<u>6,979</u>	<u>-</u>	<u>6,979</u>
Total Assets	<u>\$ 8,615,869</u>	<u>\$ 91,992</u>	<u>\$ 8,707,861</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts Payable	\$ 1,474,692	\$ 4,318	\$ 1,479,010
Accrued Expenses	-	-	-
Unearned Revenue	<u>107,163</u>	<u>-</u>	<u>107,163</u>
Total Current Liabilities	<u>1,581,855</u>	<u>4,318</u>	<u>1,586,173</u>
NET POSITION			
Investment in Net Capital Assets			
Related Debt	25,781	-	25,781
Unrestricted	<u>7,008,233</u>	<u>87,674</u>	<u>7,095,907</u>
Total Net Position	<u>7,034,014</u>	<u>87,674</u>	<u>7,121,688</u>
Total Liabilities and Net Position	<u>\$ 8,615,869</u>	<u>\$ 91,992</u>	<u>\$ 8,707,861</u>

DELAWARE HEALTH INFORMATION NETWORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 11 CONDENSED COMBINING INFORMATION (CONTINUED)

Condensed Combining Statement of Net Position
June 30, 2020

	DHIN	DCHI	Total
ASSETS			
CURRENT ASSETS			
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
CAPITAL ASSETS			
Property, Equipment, and Software Net	41,544	-	41,544
OTHER ASSETS			
Lease Deposit	6,979	-	6,979
Total Assets	\$ 7,454,985	\$ 189,940	\$ 7,644,925
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts Payable	\$ 1,233,645	\$ 12,149	\$ 1,245,794
Accrued Expenses	-	5,588	5,588
Unearned 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
NET POSITION			
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	\$ 7,454,985	\$ 189,940	\$ 7,644,925

**DELAWARE HEALTH INFORMATION NETWORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 11 CONDENSED COMBINING INFORMATION (CONTINUED)

Condensed Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2021

	<u>DHIN</u>	<u>DCHI</u>	<u>Total</u>
OPERATING REVENUE			
Core Services:			
Results Delivery	\$ 4,655,315	\$ -	\$ 4,655,315
Community Health Record (CHR)	3,326,021	-	3,326,021
Total Core Services	<u>7,981,336</u>	-	<u>7,981,336</u>
Value Added Services:			
CHR-Viewing by Providers	143,859	-	143,859
Medication History Access	116,414	-	116,414
Encounter Notification Services	21,386	-	21,386
Image Viewing	18,850	-	18,850
Professional Services	295,429	-	295,429
Other Professional Services - DHCC	188,846	-	188,846
Total Value Added Services	<u>784,784</u>	-	<u>784,784</u>
Total Operating Revenue	<u>8,766,120</u>		<u>8,766,120</u>
OPERATING EXPENSES			
Personnel	4,810,929	150,378	4,961,307
Licenses and Software Maintenance	3,101,685	-	3,101,685
Contractual (Nontechnical)	1,142,601	84,400	1,227,001
Administration	530,691	17,132	547,823
Implementation Costs	704,051	-	704,051
Marketing	146,824	-	146,824
Depreciation and Amortization	15,763	-	15,763
Total Operating Expenses	<u>10,452,544</u>	<u>251,910</u>	<u>10,704,454</u>
OPERATING LOSS	(1,686,424)	(251,910)	(1,938,334)
NONOPERATING REVENUE			
Grant Revenue	2,236,605	-	2,236,605
State Appropriation	215,822	-	215,822
DCHI Contributions	-	167,381	167,381
Interest Income	76,340	-	76,340
Total Nonoperating Revenue	<u>2,528,767</u>	<u>167,381</u>	<u>2,696,148</u>
Extraordinary Gain - Loan Forgiveness	<u>505,567</u>	-	<u>505,567</u>
CHANGE IN NET POSITION	1,347,910	(84,529)	1,263,381
Net Position - Beginning of Year	<u>5,686,104</u>	<u>172,203</u>	<u>5,858,307</u>
NET POSITION - END OF YEAR	<u>\$ 7,034,014</u>	<u>\$ 87,674</u>	<u>\$ 7,121,688</u>

**DELAWARE HEALTH INFORMATION NETWORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 11 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>
OPERATING REVENUE			
Core Services:			
Results Delivery	\$ 4,687,287	\$ -	\$ 4,687,287
Community Health Record (CHR)	3,077,766	-	3,077,766
Total Core Services	<u>7,765,053</u>	-	<u>7,765,053</u>
Value Added Services:			
Other Professional Services - DHCC	124,380	-	124,380
Professional Services	197,354	-	197,354
CHR-Viewing by Providers	121,107	-	121,107
Encounter Notification Services	80,425	-	80,425
Image Viewing	14,619	-	14,619
Medication History Access	13,630	-	13,630
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>
 OPERATING EXPENSES			
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
Technology Refresh	-	-	-
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>
 OPERATING LOSS	 (506,073)	 (282,882)	 (788,955)
 NONOPERATING REVENUE			
Grant Revenue	867,247	-	867,247
State Appropriation	509,546	-	509,546
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>
 CHANGE IN NET POSITION	 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>
 NET POSITION - END OF YEAR	 <u>\$ 5,686,104</u>	 <u>\$ 172,203</u>	 <u>\$ 5,858,307</u>

**DELAWARE HEALTH INFORMATION NETWORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 11 CONDENSED COMBINING INFORMATION (CONTINUED)

Condensed Combining Statement of Cash Flows
Year Ended June 30, 2021

	DHIN	DCHI	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 9,105,121	\$ 26,000	\$ 9,131,121
Cash Payments to Suppliers	(5,450,850)	(114,951)	(5,565,801)
Cash Payments to Employees	(4,810,929)	(150,378)	(4,961,307)
Net Cash Used by Operating Activities	(1,156,658)	(239,329)	(1,395,987)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Investment	(3,369,226)	-	(3,369,226)
Interest Income	76,340	-	76,340
Net Cash Provided (Used) by Investing Activities	(3,292,886)	-	(3,292,886)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
DCHI Contributions	-	167,381	167,381
Nonoperating Grant Revenue	2,452,427	-	2,452,427
Net Cash Provided by Noncapital Financing Activities	2,452,427	167,381	2,619,808
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,997,117)	(71,948)	(2,069,065)
Cash and Cash Equivalents - Beginning of Year	5,973,236	163,940	6,137,176
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,976,119	\$ 91,992	\$ 4,068,111
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating Loss	\$ (1,686,424)	\$ (251,910)	\$ (1,938,334)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:			
Depreciation and Amortization	15,763	-	15,763
(Increase) Decrease in Assets:			
Accounts Receivable	261,507	26,000	287,507
Prepaid Expenses	(66,045)	-	(66,045)
Increase (Decrease) in Liabilities:			
Accounts Payable and Accrued Expenses	241,047	(13,419)	227,628
Unearned Revenue	77,494	-	77,494
Net Cash Used by Operating Activities	\$ (1,156,658)	\$ (239,329)	\$ (1,395,987)
NONCASH NONCAPITAL FINANCING ACTIVITIES			
Debt Forgiveness for Paycheck Protection Program Loan	\$ 505,567	\$ -	\$ 505,567

DELAWARE HEALTH INFORMATION NETWORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 11 CONDENSED COMBINING INFORMATION (CONTINUED)

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

	DHIN	DCHI	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
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	(4,347,991)	(120,152)	(4,468,143)
Net Cash Used by Operating Activities	(927,396)	(290,407)	(1,217,803)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income	38,347	-	38,347
Net Cash Provided by Investing Activities	38,347	-	38,347
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Paycheck Protection Program Loan	505,567	-	505,567
DCHI Contributions	-	320,000	320,000
Nonoperating Grant Revenue	1,376,793	-	1,376,793
Net Cash Provided by Noncapital Financing Activities	1,882,360	320,000	2,202,360
NET CHANGE IN CASH AND CASH EQUIVALENTS	993,311	29,593	1,022,904
Cash and Cash Equivalents - Beginning of Year	4,979,925	134,347	5,114,272
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,973,236</u>	<u>\$ 163,940</u>	<u>\$ 6,137,176</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating Loss	\$ (506,073)	\$ (282,882)	\$ (788,955)
Adjustments to Reconcile Operating Loss to Net Cash 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	(156,432)	(21,525)	(177,957)
Accounts Payable and Accrued Expenses	-	-	-
Unearned Revenue	(66,844)	-	(66,844)
Net Cash Used by Operating Activities	<u>\$ (927,396)</u>	<u>\$ (290,407)</u>	<u>\$ (1,217,803)</u>

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, 2021, 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 November 2, 2022.

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.

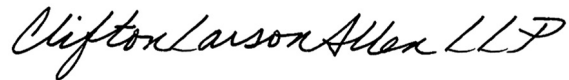
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 12, 2022