



April 26, 2021

**VIA E-MAIL**

Ruby Potter  
Health Facilities Coordinator  
Maryland Health Care Commission  
4160 Patterson Avenue  
Baltimore, Maryland 21215

**Re: Hope Health Systems, Inc – Matter No. 20-03-2444 – Completeness Response**

Dear Ms. Potter,

On behalf of applicant Hope Health Systems, Inc., we are submitting the below response to the MHCC questions in its letter dated April 12, 2021.

- 1. The In the response to question two in completeness questions dated 11/22/2020 the response stated the approval of zoning for the use of a psychiatric hospital had not been finalized. In addition, you confirmed that the zoning for the land is for “manufacturing- light.” Please update the response to this completeness question about zoning approval.**

HHS, with support from the County Executive and other county officials, is in discussion with the county council member for the district where the proposed hospital would be located to craft language for legislation to be introduced that will permit the construction and operation of the hospital as matter of right.

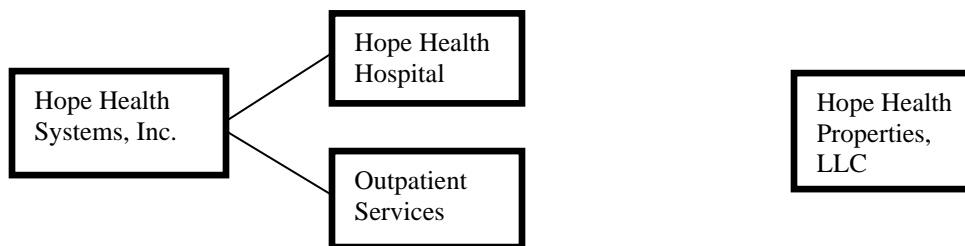
- 2. As has been pointed out by questions from HSCRC, the applicant seems to have mixed and mingled its assignment of assets, expenses, and revenues between and among various entities it controls. For example:**
  - a) Page 5 of the CON application states that HHS owns the building in Woodlawn.**
  - b) Directly contradicting the statement immediately above, page 7 of the CON application states that HHS leases the building.**
  - c) Exhibit 3 in the application – a copy of a lease between Hope Health Properties, LLC (landlord) & Hope Health Hospital (tenant) – further confuses the issue, i.e., does this mean Properties owns the building, contradicting what is stated in a)?**

- d) Page 10 of the completeness responses dated 01/07/2021 states that HHS owns 100% of HHP...which this could explain the apparently contradictory statements re: ownership made in a) and c)?

**Please provide an organization chart for your company showing the relationships between the applicant and the other entities, defining them as either subsidiary corporate entities or operating divisions. At minimum, the chart should include Hope Health Systems, Hope Health Properties and Hope Health Hospital. Supplement that chart with a written description of each involved entity and its role within the organizational structure.**

**Applicant Response:**

Relationship of Parties - Hope Health Properties, LLC (HHP) is the owner of the real property located at 1726 Whitehead Road and 2605 Banister Rd, Baltimore, MD 21215 (the “HHP Properties”). Hope Health Systems, Inc. (HHS) leases space within each of the HHP Properties. HHS is not a member of HHP and there is no hierarchal relationship between the parties. HHS currently provides services with a number of state and local agencies, primarily in Maryland. HHS will continue providing these services it what will designated as its Outpatient Services Division. The proposed psychiatric hospital will be a second operating division of HHS.



Financing of Improvements and Working Capital –

The HHP Properties are held as collateral on HHP mortgage debt incurred for acquisition and renovation of the HHP Properties. HHS, as the primary tenant in the HHP Properties, is a guarantor of the HHP mortgage debt. HHP intends to refinance the balance owed on its existing mortgage and consolidate that balance with additional funds borrowed to pay for the improvements to the Whitehead Road property that are required to facilitate the development and operation of the HHS psychiatric hospital (HHH). HHP anticipates more favorable interest rate and other terms than applicable to its existing mortgage debt. HHP and HHS have negotiated amendments to the HHS lease that reflect the above refinancing (See Exhibit II).

**Figure 1 – Hope Health Properties Mortgage Re-Financing**

	Current Loan	New Loan	
	Terms	Terms	Difference
Loan amount	\$ 2,750,000	\$5,677,866	
Amortization period (in Mths)	300	300	
<b>Interest rate</b>	<b>5.370%</b>	<b>4.000%</b>	<b>-1.370%</b>
Monthly payment amount	\$ 16,803	\$ 30,153	\$ 13,350
Annual payment amount	\$ 201,632	\$ 361,837	\$ 160,205
<b>Total principal/interest/fee</b>	<b>\$ 3,721,156</b>	<b>\$6,759,947</b>	<b>\$3,038,791</b>

Please find audited financial statements for Hope Health Systems, Inc. from 2017 and 2018 attached. The 2019 audited financial statements are in the process of being finalized by our current accountant and should be available for review in the next few weeks. HHS will provide the 2019 statements as soon as they are completed for MHCC’s review.

The applicants have submitted revised Tables D, E, J, K, and L to reflect the changes in project costs.

**COMAR 10.24.07, State Health Plan for Facilities and Services: Psychiatric Services**

**Standard AP 11**

3. In your modified application you state that your proposed rates include ancillary charges, while other providers such as Sheppard Pratt do not include ancillary charges.
  - a. Is there a similar concern for the providers listed in Figure 2.1 with University of Maryland, Johns Hopkins, Medstar Franklin Square and Carroll Hospital Center?
  - b. Did you calculate the cost per discharge by all discharges with selected DRGs, or just those discharges with length of stay under 30 days?
- a. **Applicant Response:** As previously indicated, HHS does not have full access to data that discloses either the assumptions made by current providers in arriving at their initial operating projections or the actual expenses or revenues of those providers<sup>1</sup>. We have, to the extent possible, aligned our expense and revenue projections in accordance with what we believe to be industry standards and best practices. It is possible, if not likely, that our actual expenses

<sup>1</sup> Within pages 8-9 of Sheppard Pratt’s comments filed on March 31, 2021, Sheppard Pratt notes that their FY 2020 average inclusive per date rate for children and adolescents is \$1,522. This increase seemingly accounts for the ancillary charges they left out in its initial arguments. (See, Sheppard Pratt Comments to Modification 3/31/2021. Page 8-9). It further validates the concern that the HSCRC data may not be an accurate summary of costs.

may be less than those of other providers, particularly as relates to overhead and facility maintenance<sup>2</sup>.

- b. **Applicant Response:** HHS properly included all acute care stays, rather than those deemed as long-term acute care stays. As noted above, the guideline states “...average total cost for an acute (<30 days) psychiatric admission...” The 30-day definition is seeking to define the acute status at the time of admission, rather than seeking to exclude acute care stays for psychiatric patients that had a stay for longer than 30-days. The state health plan defined “Acute Psychiatric Services as “mental health services provided in a hospital setting to patients with short lengths of stay of *generally* 30 days or less.” COMAR 10.24.07 (emphasis added). This definition gives guidance on admission protocols. The State Health Plan indicates that the intent of a definition was to limit those services for patients provided care in an acute setting, rather than long term care setting. In the event that a patient has a stay for longer than 30 days they would still be considered acute and would still be subject to care from both an acute care and psychiatric acute care hospital. The premise of the psychiatric hospital is that it would be more equipped to handle a psychiatric stay and would therefore be able to reduce the costs, including for those long stay outliers, which must be included in the cost analysis.

#### Other Criteria from COMAR 10.24.01.08G

##### Viability

#### 4. The modification lowers the projected rate from \$1,658 to \$1,585.

##### a) What assumptions were made to drive this result?

**Applicant Response:** HHS reviewed the various FY21 unit rates approved for Sheppard Pratt and Brook Lane, including the “PCD” children and adolescent room rate per day, the “ADM” admission charges, and the unit rates for “GTH” Group/Individual Therapies, “LABS” Labs, and “CDS” Drugs at Sheppard Pratt and Brook Lane. Based on our analysis of the volumes per patient and internal discussions on the expected utilization of the services, HHS arrived at its per day charge assumption.

Unit Rate Description	Per Diem Rate
Child Psych	\$1,198.57
Admission Services	\$42.18
Laboratory Services	\$12.20
Group Therapies	\$40.28
Individual Therapy	\$188.58
Drugs	\$103.93
Total	<b>\$1,585.73</b>

---

<sup>2</sup> We relied on Sheppard Pratt reports in instances where industry norms could not be found and when Sheppard Pratt’s data was most current. We assumed that the data being relied upon and reported by Sheppard Pratt was complete and accurate

**b). This rate is still above the average number reported by Sheppard Pratt for FY2021 (\$1,257 for themselves and \$1,137 for Brook Lane) for freestanding psychiatric specialty hospitals. Explain why this difference exists.**

**Applicant Response:** As noted above, on pages 8-9 of Sheppard Pratt's comments filed on March 31, 2021, Sheppard Pratt notes that their FY 2020 average inclusive per date rate for children and adolescents is \$1,522. This increase seemingly accounts for the ancillary charges they left out in its initial arguments<sup>3</sup>. (See, Sheppard Pratt Comments to Modification 3/31/2021. Page 8-9). Again, HHS does not have full access to existing hospital provider data.

It should further be noted that HHS also anticipates a charity care reduction in total overall costs of 4.11%, a reduction in costs due to bad debt in the amount of 11% and a reduction in contractual discounts in the amount of 6%. These reductions bring the average total cost of care provide by HHS to \$1,250.98 per patient day.

## **Tables**

### **5. Please explain your assumptions when calculating your occupancy rate.**

**Applicant Response:** We identified that there is a need for more than 11 beds for children and more than 102 beds for adolescent in Figure 12 of the filing<sup>4</sup>. We are seeking 4 beds for children and 12 for adolescents at single occupancy. On that basis we believe that an occupancy rate of 85% is conservative. As seen in Table I, HHS's acute psychiatric days on line (e) equal 80% occupancy in year 1 of operations to reflect operations just starting, and 85% occupancy thereafter.

### **6. Describe in more detail the factors used to figure out the \$634,000 for contractual services. Define and describe the items included in the contractual services.**

**Applicant Response:** HHS anticipated the contractual services line item will include laundry and linen, housekeeping, and dietary services. The contractual rate was established based upon the historic cost of these services, as reported by Sheppard Pratt in its FY 2019 cost report. (see, response to number 7 below, *please note original letter had numbering error, HHS retained the submitted numbering convention for consistency*). HHS used the rate per patient day that Sheppard Pratt experienced and increased the amount 25%. The amount for each category was then calculated per patient day as report in Table I and added together for the final anticipated cost.

Please note the modified tables attached to this response differ from the March 15, 2021 modification filed by HHS due to a scrivener's error where the costs per day were increased by 15% and then again by 25%. The costs are now properly reflected at 25% above the Sheppard Pratt per patient day costs.

---

<sup>3</sup> See, Sheppard Pratt Response from 3/1/2021, Pg. 5.

<sup>4</sup> We believe that the need for HHH's services is even greater when evaluated with reference to the underserved segment of the population that HHH serves on an outpatient basis today.

**8. You increased the FTE count from 59.7 to 65.1, an increase of 5.4. What informed the changes to the staffing projections? What resources or staffing guidelines were employed to determine the staffing needs as presented in the table?**

**Applicant Response:** The additional FTEs were added to demonstrate the fiscal viability of HHH even if the efficacy of additional personnel, as has been suggested, proves necessary. Ultimately, the operations may adjust and some of these minor FTE additions may be included as contracted services or be handled by other personnel as dual-roles that are common in a smaller hospital setting.

The positions added are not ones that are the subject of published staffing ratios. For the pre-existing staffing positions, HHS reviewed available literature<sup>56</sup>, existing operating experiences of facilities, and discussed the staffing ratios with our clinical operations team, including the HHS psychiatrists. Existing provider ratios on staffing can vary widely by facility, as staffing is subject to various factors such as acuity, physical layout, technology, and patient turnover and length of stay.

**7. How did you determine the projected cost for dietary, housekeeping, laundry/linen, infection control and patient safety, IT services and medical records, patient accounting and business office, pharmacy and supplies, and physical plant maintenance?**

**Applicant Response:** HHS's costs projections were extrapolated from available cost reports on file from current providers, including figures from Sheppard Pratt as aggregated by a third-party data company Definitive Health, which reported the most recent cost report from the fiscal year ending 6/30/2019.<sup>7</sup> HHS pulled the relevant figures from the cost report data for Sheppard Pratt cost centers including:

- Laundry and Linen Services,
- Housekeeping,
- Dietary,
- Total Med/Surg Supply Costs, and
- Pharmacy Supply Costs.

HHS also identified the number of patient days reported in the cost report and thereby calculated the total cost of each of the above categories by patient day. We then increased that amount by 25% to account for possible increased costs per patient day vs. Sheppard Pratt due to their large volumes and possible discounts. The numbers as reported within the cost report were as follows:

---

<sup>5</sup>[https://www.aacap.org/AACAP/Policy\\_Statements/1990/Model\\_for\\_Minimum\\_Staffing\\_Patterns\\_for\\_Hospitals\\_Providing\\_Acute\\_Inpatient\\_Treatment.aspx#:~:text=training%20is%20essential,-.Ratio%3A,treatment%2C%20medication%20and%20extensive%20functions.](https://www.aacap.org/AACAP/Policy_Statements/1990/Model_for_Minimum_Staffing_Patterns_for_Hospitals_Providing_Acute_Inpatient_Treatment.aspx#:~:text=training%20is%20essential,-.Ratio%3A,treatment%2C%20medication%20and%20extensive%20functions.)

<sup>6</sup> [https://www.apna.org/files/public/StaffingPositionStatement\\_Full\\_JAPNA.pdf](https://www.apna.org/files/public/StaffingPositionStatement_Full_JAPNA.pdf)

<sup>7</sup> <https://www.defhc.com/hospitals/5309/Financials>

Cost Center	Amount	Sheppard Pratt Per Patient Day (108,748 days)	HHS Utilized Rate (125%)
Laundry and Linen Service	\$436,834	\$4.02	\$5.02
Housekeeping	\$3,474,020	\$31.95	\$39.93
Dietary	\$5,929,452	\$54.52	\$68.16
Total Med/Surg Supply Costs	\$4,974,903	\$45.75	\$57.18
Pharmacy Supply Costs	\$3,839,067	\$35.30	\$44.13

HHS included both FTEs and a miscellaneous expense line item to account for IT, business office, and plant maintenance costs.

Please note the modified tables attached to this response reflect the above costs, but differ from the March 15, 2021 modification filed by HHS due to a scrivener's error where the costs per day were increased by 15% and then again by 25%. The costs are now properly reflected at 25% above the Sheppard Pratt per patient day costs.

**8. There is no adjustment for benefits in addition to salary totals at the bottom of Table L. The instructions in Table L tell the applicant to include the benefit calculation. Please submit a corrected Table L or explain this omission.**

**Applicant Response:** The applicants have attached a revised table L that breaks out benefit costs.

Sincerely,


*Bryan Niehaus*

Bryan Niehaus, JD, CHC  
Vice President  
Advis

One or more persons shall be officially authorized in writing by the applicant to sign for and act for the applicant for the project which is the subject of this application. Copies of this authorization shall be attached to the application. The undersigned is the owner(s), or Board-designated official of the applicant regarding the project proposed in the application.

I hereby declare and affirm under the penalties of perjury that the facts stated in this application and its attachments are true and correct to the best of my knowledge, information, and belief.

4/22/21  
Date

  
Signature of Owner or Board-designated Official

CFO  
Position/Title

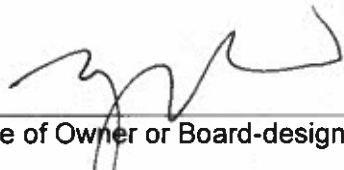
Lanre Fadiora  
Printed Name



One or more persons shall be officially authorized in writing by the applicant to sign for and act for the applicant for the project which is the subject of this application. Copies of this authorization shall be attached to the application. The undersigned is the owner(s), or Board-designated official of the applicant regarding the project proposed in the application.

I hereby declare and affirm under the penalties of perjury that the facts stated in this application and its attachments are true and correct to the best of my knowledge, information, and belief.

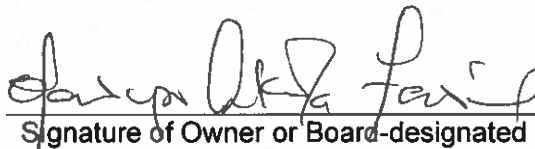
4/22/2021  
Date

  
\_\_\_\_\_  
Signature of Owner or Board-designated Official  
\_\_\_\_\_  
Executive Director  
\_\_\_\_\_  
Position/Title  
\_\_\_\_\_  
Yinka Fadiora  
\_\_\_\_\_  
Printed Name

One or more persons shall be officially authorized in writing by the applicant to sign for and act for the applicant for the project which is the subject of this application. Copies of this authorization shall be attached to the application. The undersigned is the owner(s), or Board-designated official of the applicant regarding the project proposed in the application.

I hereby declare and affirm under the penalties of perjury that the facts stated in this application and its attachments are true and correct to the best of my knowledge, information, and belief.

4/22/2021  
Date

  
Signature of Owner or Board-designated Official

CEO

Position/Title

Oladipo Fadiora

Printed Name

# EXHIBIT 1 – TABLE REPLACEMENTS

**TABLE D. ONSITE AND OFFSITE COSTS INCLUDED AND EXCLUDED IN MARSHALL VALUATION COSTS**

*INSTRUCTION : If project includes non-hospital space structures (e.g., parking garges, medical office buildings, or energy plants), complete an additional Table D for each structure.*

	NEW CONSTRUCTION COSTS	RENOVATION COSTS
<b>SITE PREPARATION COSTS</b>		
Normal Site Preparation		
Utilities from Structure to Lot Line		
<b>Subtotal included in Marshall Valuation Costs</b>		
Site Demolition Costs		
Storm Drains		
Rough Grading		
Hillside Foundation		
Paving		
Exterior Signs		
Landscaping		
Walls		
Yard Lighting		
Other ( <i>Specify/add rows if needed</i> )		
<b>Subtotal On-Site excluded from Marshall Valuation Costs</b>		<b>\$0</b>
<b>OFFSITE COSTS</b>		
Roads		
Utilities		
Jurisdictional Hook-up Fees		
Other ( <i>Specify/add rows if needed</i> )		
<b>Subtotal Off-Site excluded from Marshall Valuation Costs</b>		
<b>TOTAL Estimated On-Site and Off-Site Costs <u>not</u> included in Marshall Valuation Costs</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL Site and Off-Site Costs included and excluded from Marshall Valuation Service*</b>	<b>\$0</b>	<b>\$0</b>

\*The combined total site and offsite cost included and excluded from Marshall Valuation Service should typically equal the estimated site preparation cost reported in Application Part II, Project Budget (see Table E. Project Budget). If these numbers are not equal, please reconcile the numbers in an explanation in an attachment to the application.

TABLE E. PROJECT BUDGET

**INSTRUCTION:** Estimates for Capital Costs (1.a-e), Financing Costs and Other Cash Requirements (2.a-g), and Working Capital Startup Costs (3) must reflect current costs as of the date of application and include all costs for construction and renovation. Explain the basis for construction cost estimates, renovation cost estimates, contingencies, interest during construction period, and inflation in an attachment to the application.

**NOTE:** Inflation should only be included in the Inflation allowance line A.1.e. The value of donated land for the project should be included on Line A.1.d as a use of funds and on line B.8 as a source of funds

	Hospital Building	Other Structure	Total
<b>A. USE OF FUNDS</b>			
<b>1. CAPITAL COSTS</b>			
<b>a. New Construction</b>			
(1) Building			\$0
(2) Fixed Equipment			\$0
(3) Site and Infrastructure			\$0
(4) Architect/Engineering Fees			\$0
(5) Permits (Building, Utilities, Etc.)			\$0
<b>SUBTOTAL</b>	\$0	\$0	\$0
<b>b. Renovations</b>			
(1) Building			\$0
(2) Fixed Equipment (not included in construction)			\$0
(3) Architect/Engineering Fees			\$0
(4) Permits (Building, Utilities, Etc.)			\$0
<b>SUBTOTAL</b>		\$0	\$0
<b>c. Other Capital Costs</b>			
(1) Movable Equipment	\$875,000		\$875,000
(2) Contingency Allowance			\$0
(3) Gross interest during construction period			\$0
(4) Other (Specify/add rows if needed)			\$0
<b>SUBTOTAL</b>	\$875,000	\$0	\$875,000
<b>TOTAL CURRENT CAPITAL COSTS</b>	\$875,000	\$0	\$875,000
<b>d. Land Purchase</b>			
<b>e. Inflation Allowance</b>			\$0
<b>TOTAL CAPITAL COSTS</b>	\$875,000	\$0	\$875,000
<b>2. Financing Cost and Other Cash Requirements</b>			
a. Loan Placement Fees			\$0
b. Bond Discount			\$0
c. CON Application Assistance	\$60,000		\$60,000
c1. Legal Fees			\$0
c2. Other (Specify/add rows if needed)			\$0
d. Non-CON Consulting Fees			\$0
d1. Legal Fees			\$0
d2. Other (Specify/add rows if needed)			\$0
e. Debt Service Reserve Fund			\$0
f. Other (Specify/add rows if needed)	\$0		\$0
<b>SUBTOTAL</b>	\$60,000	\$0	\$60,000
<b>3. Working Capital Startup Costs</b>	\$565,000		\$565,000
<b>TOTAL USES OF FUNDS</b>	\$1,500,000	\$0	\$1,500,000
<b>B. Sources of Funds</b>			
<b>1. Cash</b>	\$1,500,000	\$0	\$1,500,000
<b>2. Philanthropy (to date and expected)</b>			\$0
<b>3. Authorized Bonds</b>			\$0
<b>4. Interest Income from bond proceeds listed in #3</b>			\$0
<b>5. Mortgage</b>			\$0
<b>6. Working Capital Loans</b>			\$0
<b>7. Grants or Appropriations</b>			
a. Federal			\$0
b. State			\$0
c. Local			\$0
<b>8. Other (Specify/add rows if needed)</b>			\$0
<b>TOTAL SOURCES OF FUNDS</b>	\$1,500,000	\$0	\$1,500,000
	Hospital Building	Other Structure	Total
<b>Annual Lease Costs (if applicable)</b>			
<b>1. Land</b>			\$0
<b>2. Building</b>	\$167,208		\$167,208
<b>3. Major Movable Equipment</b>			\$0
<b>4. Minor Movable Equipment</b>			\$0
<b>5. Other (Specify/add rows if needed)</b>			\$0

\* Describe the terms of the lease(s) below, including information on the fair market value of the item(s), and the number of years, annual cost, and the interest rate for the lease. Amended existing lease, as see in the attached addendum.



**TABLE J. REVENUES & EXPENSES, UNINFLATED - NEW FACILITY OR SERVICE**

***INSTRUCTION:*** After consulting with Commission Staff, complete this table for the new facility or service (the proposed project). Table J should reflect current dollars (no inflation). Projected revenues and expenses should be consistent with the projections in Table I and with the costs of Manpower listed in Table L. Manpower. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable. Specify the sources of non-operating income.

[illegible]

**TABLE K. REVENUES & EXPENSES, INFLATED - NEW FACILITY OR SERVICE**

**INSTRUCTION :** After consulting with Commission Staff, complete this table for the new facility or service (the proposed project). Table K should reflect inflation. Projected revenues and expenses should be consistent with the projections in Table I. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

	Projected Years (ending at least two years after project completion and full occupancy) Add years, if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.						
Indicate CY or FY	2022	2023	2024	2025	2026	2027	2028
<b>1. REVENUE</b>							
a. Inpatient Services	\$ 7,408,531	\$ 8,052,610	\$ 8,233,656	\$ 8,414,702	\$ 8,595,748	\$ 8,776,794	\$ 8,957,840
b. Outpatient Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Gross Patient Service Revenues</b>	<b>\$ 7,408,531</b>	<b>\$ 8,052,610</b>	<b>\$ 8,233,656</b>	<b>\$ 8,414,702</b>	<b>\$ 8,595,748</b>	<b>\$ 8,776,794</b>	<b>\$ 8,957,840</b>
c. Allowance For Bad Debt	\$ 814,938	\$ 885,787	\$ 905,702	\$ 925,617	\$ 945,532	\$ 965,447	\$ 985,362
d. Contractual Allowance	\$ 444,512	\$ 483,157	\$ 494,020	\$ 504,882	\$ 515,745	\$ 526,608	\$ 537,471
e. Charity Care	\$ 304,491	\$ 330,962	\$ 338,403	\$ 345,844	\$ 353,285	\$ 360,726	\$ 368,167
<b>Net Patient Services Revenue</b>	<b>\$ 5,844,590</b>	<b>\$ 6,352,704</b>	<b>\$ 6,495,531</b>	<b>\$ 6,638,359</b>	<b>\$ 6,781,186</b>	<b>\$ 6,924,013</b>	<b>\$ 7,066,840</b>
f. Other Operating Revenues (Specify/add rows of needed)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>NET OPERATING REVENUE</b>	<b>\$ 5,844,590</b>	<b>\$ 6,352,704</b>	<b>\$ 6,495,531</b>	<b>\$ 6,638,359</b>	<b>\$ 6,781,186</b>	<b>\$ 6,924,013</b>	<b>\$ 7,066,840</b>
<b>2. EXPENSES</b>							
a. Salaries & Wages (including benefits)	\$ 4,603,463	\$ 4,832,528	\$ 4,927,284	\$ 5,022,039	\$ 5,116,795	\$ 5,211,550	\$ 5,306,306
b. Contractual Services	\$ 528,445	\$ 572,702	\$ 583,932	\$ 595,161	\$ 606,391	\$ 617,620	\$ 628,850
c. Interest on Current Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
d. Interest on Project Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
e. Current Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
f. Project Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
g. Current Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
h. Project Amortization	\$ 113,772	\$ 113,772	\$ 113,772	\$ 113,772	\$ 113,772	\$ 113,772	\$ 113,772
i. Supplies	\$ 473,329	\$ 512,970	\$ 523,028	\$ 533,087	\$ 543,145	\$ 553,203	\$ 563,261
j. Other Expenses: Marketing, recruitment, training, miscellaneous	\$ 125,000	\$ 127,500	\$ 130,000	\$ 132,500	\$ 135,000	\$ 137,500	\$ 140,000
j. Other Expenses: Lease	\$ 167,208	\$ 170,552	\$ 173,896	\$ 177,240	\$ 180,585	\$ 183,929	\$ 187,273
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 6,011,217</b>	<b>\$ 6,330,024</b>	<b>\$ 6,451,912</b>	<b>\$ 6,573,799</b>	<b>\$ 6,695,688</b>	<b>\$ 6,817,574</b>	<b>\$ 6,939,462</b>
<b>3. INCOME</b>							
<b>a. Income From Operation</b>	<b>\$ (166,627)</b>	<b>\$ 22,680</b>	<b>\$ 43,619</b>	<b>\$ 64,560</b>	<b>\$ 85,498</b>	<b>\$ 106,439</b>	<b>\$ 127,378</b>
b. Non-Operating Income							
<b>SUBTOTAL</b>	<b>\$ (166,627)</b>	<b>\$ 22,680</b>	<b>\$ 43,619</b>	<b>\$ 64,560</b>	<b>\$ 85,498</b>	<b>\$ 106,439</b>	<b>\$ 127,378</b>
c. Income Taxes	\$ -	\$ 6,350	\$ 12,213	\$ 18,077	\$ 23,940	\$ 29,803	\$ 35,666
<b>NET INCOME (LOSS)</b>	<b>\$ (166,627)</b>	<b>\$ 16,329</b>	<b>\$ 31,405</b>	<b>\$ 46,483</b>	<b>\$ 61,559</b>	<b>\$ 76,636</b>	<b>\$ 91,712</b>



#### 4. PATIENT MIX

<b>a. Percent of Total Revenue</b>	
------------------------------------	--

[illegible]

b. Percent of Equivalent Inpatient Days	
---	--

1) Medicare	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2) Medicaid	85.9%	85.9%	85.9%	85.9%	85.9%	85.9%
3) Blue Cross	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
4) Commercial Insurance	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
5) Self-pay	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
6) Other	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

**TABLE H. WORKFORCE INFORMATION**

**INSTRUCTION:** List the facility's existing staffing and changes required by this project. Include all major job categories under each heading provided in the table. The number of Full Time Equivalents (FTEs) should be calculated on the basis of 2,080 paid hours per year equals one FTE. In an attachment to the application, explain any factor used in converting paid hours to worked hours. Please ensure that the projections in this table are consistent with expenses provided in uninflated projections in Tables F and G.

	CURRENT ENTIRE FACILITY			PROJECTED CHANGES AS A RESULT OF THE PROPOSED PROJECT THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS)			OTHER EXPECTED CHANGES IN OPERATIONS THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS)			PROJECTED ENTIRE FACILITY THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS)	
Job Category	Current Year FTEs	Average Salary per FTE	Current Year Total Cost	FTEs	Average Salary per FTE	Total Cost (should be consistent with projections in Table G, if submitted).	FTEs	Average Salary per FTE	Total Cost	FTEs	Total Cost (should be consistent with projections in Table G)
<b>1. Regular Employees</b>											
Administration (List general categories, add rows if needed)											
Administrator			\$0	1.0	\$150,000	\$150,000			\$0	1.0	\$150,000
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
<b>Total Administration</b>			\$0	1.0		\$150,000			\$0	1.0	\$150,000
Direct Care Staff (List general categories, add rows if needed)											
Recreation Therapist			\$0	1.0	\$45,000	\$45,000			\$0	1.0	\$45,000
Social Worker			\$0	3.0	\$52,000	\$156,000			\$0	3.0	\$156,000
RN			\$0	9.5	\$76,000	\$722,000			\$0	9.5	\$722,000
Occ. Therapist			\$0	1.0	\$87,000	\$87,000			\$0	1.0	\$87,000
Psych Tech			\$0	16.0	\$35,000	\$560,000			\$0	16.0	\$560,000
Nurse Manager			\$0	1.0	\$100,000	\$100,000			\$0	1.0	\$100,000
<b>Total Direct Care</b>			\$0	31.5		\$1,670,000			\$0	31.5	\$1,670,000
Support Staff (List general categories, add rows if needed)											
Discharge Coordinator			\$0	1.5	\$60,000	\$90,000			\$0	1.5	\$90,000
Finance Staff			\$0	3.0	\$71,000	\$213,000			\$0	3.0	\$213,000
Food and Nutrition			\$0	2.5	\$41,000	\$102,500			\$0	2.5	\$102,500
Reception/Assistant			\$0	3.5	\$32,000	\$112,000			\$0	3.5	\$112,000
UR/Billing			\$0	2.5	\$53,000	\$132,500			\$0	2.5	\$132,500
HIM/Medical Records			\$0	1.0	\$45,000	\$45,000			\$0	1.0	\$45,000
Patient Services/Accounts			\$0	2.0	\$37,000	\$74,000			\$0	2.0	\$74,000
Purchasing /Materials Management			\$0	0.5	\$16,500	\$8,250			\$0	0.5	\$8,250
<b>Total Support</b>			\$0	16.5		\$777,250			\$0	16.5	\$777,250

REGULAR EMPLOYEES TOTAL			\$0	49.0		\$2,597,250			\$0	49.0	\$2,597,250
2. Contractual Employees											
Administration (List general categories, add rows if needed)											
Clinical Director			\$0	1.0	\$109,300	\$109,300			\$0	1.0	\$109,300
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
Total Administration			\$0	1.0		\$109,300			\$0	1.0	\$109,300
Direct Care Staff (List general categories, add rows if needed)											
Psychologist			\$0	2.0	\$70,600	\$141,200			\$0	2.0	\$141,200
Psychiatrist			\$0	4.0	\$250,000	\$1,000,000			\$0	4.0	\$1,000,000
Infection Control / Health & Safety			\$0	0.5	\$60,000	\$30,000			\$0	0.5	\$30,000
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
Total Direct Care Staff			\$0	6.5		\$1,171,200			\$0	6.5	\$1,171,200
Support Staff (List general categories, add rows if needed)											
Security Officer			\$0	7.2	\$36,500	\$262,800			\$0	7.2	\$262,800
Physical Plant Management / Maintenance			\$0	1.4	\$37,000	\$51,800			\$0	1.4	\$51,800
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
Total Support Staff			\$0	8.6		\$314,600			\$0	8.6	\$314,600
CONTRACTUAL EMPLOYEES TOTAL			\$0	16.1		\$1,595,100			\$0	16.1	\$1,595,100
Benefits (State method of calculating benefits below):						545,422.5					
TOTAL COST	0.0		\$0	65.1		\$4,737,773	0.0		\$0	65.1	\$4,737,773

## EXHIBIT 2 – Lease Amendment

## AGREEMENT TO AMEND LEASE

This Agreement to Amend Lease (hereinafter "Lease Amendment") is entered into this 26 day of April, 2021 by and between Lessor Hope Health Properties, LLC (hereinafter "Landlord"), and Hope Health Systems, Inc. (hereinafter collectively referred to as "Tenant").

For the valuable consideration described below, the sufficiency of which is hereby acknowledged, Landlord and Tenant do hereby covenant, contract and agree as follows:

**1. OPERATIVE LEASE:** Landlord and Tenant entered a Landlord-Tenant relationship by virtue of a previously executed Lease Agreement, dated October 1, 2020 (hereinafter the "Lease Agreement"), and incorporated herein by reference thereto or by attachment hereto.

**2. AMENDMENT OF LEASE:** Landlord and Tenant agree to amend the above-cited Lease Agreement as follows:

- (i) The "Commencement Date" means the first day of that month after the completion of all of the work to be performed by the landlord in connection with the Tenant's psychiatric hospital ("Hospital") and the issuance of a certificate of occupancy permitting use of the Premises for the Hospital.
- (ii) Each Renewal term shall be for a period of Five (5) years.
- (iii) Tenant shall be permitted to use the Premises for the Hospital in addition to any other Permitted Use.
- (iv) Landlord shall complete its work as promptly as feasible after the Tenant has obtained all requisite approvals for operation of the Hospital.
- (v) Landlord waives Tenant's obligation to remit a security deposit.
- (vi) Schedule 1 is amended to provide that no rent shall be due from the Tenant until completion of the Landlord's work or the first day of the month that is (90) days after the Commencement Date, whichever first occurs.
- (vii) The amount of the Base Rent attributable to the Hospital as of the Commencement Date shall be \$16.50/sq.ft. (\$13,934.00/mo.). HHS is currently paying \$19/sq.ft. (\$16,045/mo.) as rent related to its outpatient services.

Landlord and tenant agree that the provisions, terms, and conditions of the Lease Agreement shall continue unaltered, except where directly affected by above stated Amendment, when, in case of conflict, said Amendment shall govern.

In witness whereof, Landlord and Tenant have executed this Lease Amendment as of the day and year first above written.

### WITNESS THE SIGNATURES OF THE PARTIES:

Landlord, or authorized agent: [Signature] Dated: 26th April, 2021  
(COLADIPO FADIORA)

Tenant: Hope Health Systems, Inc. Print name: [Signature] Dated: 26th April, 2021  
(YINKA FADIORA)

## EXHIBIT 3 – Audited Financials & Financial Statements



**Francis Awoyera & Associates, PC.**

**Certified Public Accountants & Management Consultants**

**7600 Georgia Avenue, NW • Washington DC 20012 • Suite 302 • Tel: 202-723-1269 • Fax: 202-723-1639**

**HOPE HEALTH SYSTEMS, INC.**  
**AUDITED FINANCIAL STATEMENTS**

December 31, 2018

# **HOPE HEALTH SYSTEMS, INC.**

## **Table of Contents**

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1-2
<b>FINANCIAL STATEMENTS</b>	
Balance Sheet	3-4
Income Statement	5
Statements of Cash Flow	6
Note to Financial Statements	7





**Francis Awoyera & Associates, PC.**

**Certified Public Accountants & Management Consultants**

7600 Georgia Avenue, NW • Washington DC 20012 • Suite 302 • Tel: 202-723-1269 • Fax: 202-723-1639

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Hope Health Systems, Inc.  
6707 Whitestone Road Suite 106  
Baltimore, MD 21207

We have audited the accompanying financial statements of Hope Health Systems, Inc., which comprises the balance sheet as of December 31, 2018, and the related income statement and statement of cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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 auditor's judgment, including the assessment of risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



**Francis Awoyera & Associates, PC.**

**Certified Public Accountants & Management Consultants**

7600 Georgia Avenue, NW • Washington DC 20012 • Suite 302 • Tel: 202-723-1269 • Fax: 202-723-1639

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope Health Systems, Inc., as of December 31, 2018, Income Statement and Statement of cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. There are no other matters related to the financial statements as a whole that need presentation for purposes of additional analysis.

*Francis Awoyera & Associates, PC*

Francis Awoyera & Associates, PC

Washington, District of Columbia

November 26, 2019

**HOPE HEALTH SYSTEMS INC**  
**BALANCE SHEET**  
as at December 31, 2018

<b>ASSETS</b>	<b>2018</b>
<b><u>Current Assets</u></b>	
Cash and Cash Equivalent	\$ 13,625.07
Accounts Receivable	391,342.37
 <u>Other Current Assets</u>	
Agape Health Systems	182,206.74
Due from AHS	1,500.00
Peju's Kitchen	145,129.95
Suspence	168,564.97
Deposits	23,000.00
Employees Advance	136,142.87
Total Other Current Assets	<u>656,544.53</u>
 Total Current Assets	 <u>1,061,511.97</u>
 <b><u>Fixed Assets</u></b>	
Software	239,728.59
Leasehold Improvement	488,888.04
Furniture and Fixture	63,500.85
Computer	107,971.36
Office Equipments	42,895.00
Building	801,583.80
Less Accumulated Depreciation	<u>(703,014.00)</u>
Total Fixed Assets	<u>1,041,553.64</u>
 <b><u>Other Assets</u></b>	
Goodwill	28,000.00
Accumulated Amortization	<u>(9,023.00)</u>
Total Goodwill	<u>18,977.00</u>
 Security Deposit	 8,259.34
 Total Other Assets	 <u>27,236.34</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,130,301.95</u></b>

**HOPE HEALTH SYSTEMS INC**  
**BALANCE SHEET (Cont'd)**  
**as at December 31, 2018**

	<b>2018</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	
<b><u>Current Liabilities</u></b>	
Accounts Payable	\$ 230,500.93
Credit Cards	91,757.59
<b>Total</b>	<b>322,258.52</b>
<b><u>Other Current Liabilities</u></b>	
Current Year Accrued State Income taxes	36,745.79
Due to State of MD	7,630.00
Deferred Tax Liabilities	34,902.00
 Payroll Liabilities	 298,737.21
Other Accrued Liabilities	49,425.88
Due to Officers	95,990.98
Hope Health Properties (Liab)	181,148.40
<b>Total Other Current Liabilities</b>	<b>704,580.26</b>
 <b>Total Current Liabilities</b>	 <b>1,026,838.78</b>
<b><u>Longterm Liabilities</u></b>	
Notes Payable	741,748.63
Line of Credit - M&T	65,696.50
<b>Total Longterm Liabilities</b>	<b>807,445.13</b>
 <b>Total Liabilities</b>	 <b>1,834,283.91</b>
<b>Equity:</b>	
Retained Earnings	(151,578.47)
Net Income	447,596.51
<b>Total Equity</b>	<b>296,018.04</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>\$ 2,130,301.95</b>

**HOPE HEALTH SYSTEMS, INC**  
**INCOME STATEMENT**  
**for the period ended December 31, 2018**

	<b>2018</b>
<b><u>INCOME</u></b>	
Service Income	\$ 13,724,426.86
<b><u>EXPENSES</u></b>	
Bank Fees	21,043.44
Miscellaneous	4,526.13
Income Tax Interest & Penalties	
Business Gifts	17,886.06
Amortization Expense	2,800.00
Advertising Expense	3,160.91
Administrative Expenses	19,657.88
Automobile Expense	79,883.32
Contributions	28,450.95
Education	13,256.99
Depreciation Expense	127,382.00
Fringe Benefits	1,195,452.73
Dues andd Subscription	412.94
Insurance	14,871.96
Entertainment	17,249.90
Interest Expense	48,030.05
Internet Service Expense	22,224.73
Licenses and Permits	30,944.18
Supplies	96,888.42
Officers Salaries	1,529,438.93
Payroll Expenses	7,309,461.19
1099 Employees	1,330,154.93
Postage and Delivery	2,019.03
Printing and Reproduction	5,684.84
Professional Fee	624,591.15
Meals	51,081.89
Rent Expenses	239,818.74
Repairs and Maintenance	107,670.89
Taxes	125,133.12
Telephone Expense	73,875.10
Travel & Ent-Meeting	69,908.74
Security Monitoring	10,405.37
Utilities	53,463.84
Total Expense	<u>\$ 13,276,830.35</u>
Net Income(Loss)	<u>\$ 447,596.51</u>

**HOPE HEALTH SYSTEMS INC**  
**STATEMENT OF CASH FLOWS**  
**as of December 31, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net Income	\$ 447,596.51
<i>Adjustments to reconcile net income to operating activities:</i>	
Depreciation Expense	127,382.00
Amortization Expense	933.00
Accounts Recievables	(51,070.52)
Agape Health Systems	(182,206.74)
Peju's Kitchen	(97,537.51)
Suspence	(174,259.12)
Employee Advance	(6,417.58)
Due from Officers to HHS	(10,663.01)
Deferred Tax Liabilities	20,507.00
Due to Officers	95,990.98
Hope Health Properties (Liab)	120,127.78
Accounts Payable	32,855.40
Credit Card	(401.20)
Current Year Accrued State Income Taxes	(142,224.21)
Payroll Liabilities	151,263.78
<i>Total Adjustments</i>	<u>(115,719.95)</u>
Net Cash Provided by Operating Activities	<u>331,876.56</u>

**CASH FLOWS FROM INVESTING ACTIVITES**

Office Equipments	(4,815.00)
Building	(801,583.80)
Computer	(1,100.00)
Leasehold Improvement	(141,218.04)
Net Cash Provided by Investing Activities	<u>(948,716.84)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Notes Payable	741,748.63
Line of Credit - M&T	65,696.50
Provider Web Capital	(154,944.58)
Cash Flows Provided By Financing Activities	<u>652,500.55</u>
Net Change in Cash	35,660.27
Cash at Beginning	(22,035.20)
Cash at End	<u>\$ 13,625.07</u>

**HOPE HEALTH SYSTEMS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**ORGANIZATION**

Hope Health Systems, Inc. (HHS) is a profit entity that caters to individuals who are experiencing mental illness. The company was incorporated in the State of Maryland in 1999.

The Corporation is licensed by Department of Health and Mental Hygiene. The Office of Health Care Quality, Community Health Services Unit, approves HHS as an Outpatient Mental Health Clinic. The foundation of Hope Health Systems is built on helping individuals and families to have a normal life and become productive citizen in the community.

**BASIS OF ACCOUNTING**

Hope Health Systems, Inc. prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenue and related assets are recognized when earned and expenses and related liabilities are recognized when the obligations are incurred. Accordingly, the financial statements reflect all significant payables and liabilities.

**CASH AND CASH EQUIVALENT**

Cash and cash equivalent represents money that are being held in the Company's deposit accounts. The total cash and cash equivalent at the end of the period, December 31, 2018 was \$13,625.07.

**REVENUES**

Hope Health Systems, Inc. receives the majority of their revenue through contracts with the State Department of Human Services. They offer services such as mental health, early intervention, training, consultation and treatment services. These services are offered through a variety of programs such as: Outpatient Mental Health Care(OMHC), Expanded School-Base Mental Health(ESMH), Department of Juvenile Services(DJS), Psychiatric Rehabilitation Program(PRP), Health Homes, Substance Abuse, and Mobile treatment Services.

**HOPE HEALTH SYSTEMS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2018 (Cont'd)**

**NOTE 2: ACCOUNTS RECEIVABLE**

In the accounting period January to December 31, 2018, the accounts receivable ended with an increase of \$51,070.5. The ending balance was \$391,342.37.

**NOTE 3: EMPLOYEE ADVANCE**

The account reports monies that have been loan to employees/shareholder and has not been repaid as of December 31, 2018.

**NOTE 4: FIXED ASSETS**

Fixed Assets are recorded at cost and depreciated on a straight-line basis over their estimated useful life of each asset. The following schedule shows the book values of the total fixed assets at the end of the period, December 31, 2018.

**FIXED ASSETS**

Software	239,728.59
Leasehold Improvement	488,888.04
Furniture and Fixture	63,500.85
Computer	107,971.36
Office Equipments	42,895.00
Building	801,583.80
Less Accumulated Depreciation	<u>(703,014.00)</u>
Total Fixed Assets	<u>1,041,553.64</u>



**HOPE HEALTH SYSTEMS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2018 (Cont'd)**

**NOTE 5: GOODWILL**

Agape Health System was acquired in February of 2015 and provided a total goodwill of \$28,000. It was amortized on the straight line basis over 15 years, but should have been amortized over a period no greater than 10 years. Therefore, the amortization was adjusted base on FASB Accounting Standard 350-20-35-64.

According to the standard, an entity may revise the remaining useful life of goodwill upon the occurrence of events and changes in circumstances that warrant a revision to the remaining period of amortization. However, the cumulative amortization period for any amortizable unit of goodwill cannot exceed 10 years. If the estimate of the remaining useful life of goodwill is revised, the remaining carrying amount of goodwill shall be amortized prospectively on a straight-line basis over that revised remaining useful life.

The schedule presented below shows the change in Goodwill over the year.

<u>Other Assets</u>	
Goodwill	28,000.00
Accumulated Amortization	(9,023.00)
Total Goodwill	<u>18,977.00</u>

**NOTE 6: ACCOUNTS PAYABLE**

The total accounts payable balance at the end the year was \$312,131.84.

**NOTE 7: NOTE PAYABLE**

This amount reflects the amount of long-term liabilities that is owed by Hope Health Systems Inc. as at December 31, 2018. This amount is due to a mortgage that was utilized in the acquisition of a building.

<u>Longterm Liabilities</u>	
Notes Payable	741,748.63

**HOPE HEALTH SYSTEMS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2018 (Cont'd)**

**NOTE 8: FRINGE BENEFITS**

This account reports on the amount the company pays for taxes on the behalf of the employees, such as social security and medicare. Fringe benefits also include health insurance, Health Savings Account contributions, disability insurance, and workers compensation insurance.

**NOTE 9: TAXES**

This is the expense account that is use to report the amount that was paid for business income tax for the federal government and the state.

**NOTE 10: DUE TO OFFICERS**

Due to officers is the reimbursements generated by the shareholders during the course of doing business. Because of the ending of the year adjustments, there was a negative of \$95,990.98 that was being reported as due to officers account.



**Francis Awoyera & Associates, PC.**

**Certified Public Accountants & Management Consultants**

**7600 Georgia Avenue, NW • Washington DC 20012 • Suite 302 • Tel: 202-723-1269 • Fax: 202-723-1639**

**HOPE HEALTH SYSTEMS, INC.**  
**AUDITED FINANCIAL STATEMENTS**

December 31, 2017

*E-Mail: [fawoyera@aol.com](mailto:fawoyera@aol.com)*

Francis Awoyera & Associates, PC  
Certified Public Accountants

# HOPE HEALTH SYSTEMS, INC.

## Table of Contents

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1-2
<b>FINANCIAL STATEMENTS</b>	
Balance Sheet	3-4
Income Statement	5
Statements of Cash Flow	6
Note to Financial Statements	7 - 9



**Francis Awoyera & Associates, PC.**

**Certified Public Accountants & Management Consultants**

7600 Georgia Avenue, NW • Washington DC 20012 • Suite 302 • Tel: 202-723-1269 • Fax: 202-723-1639

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Hope Health Systems, Inc.  
6707 Whitestone Road Suite 106  
Baltimore, MD 21207

We have audited the accompanying financial statements of Hope Health Systems, Inc., which comprises the balance sheet as of December 31, 2017, and the related Income Statement and statement cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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 auditor's judgement, including the assessment of risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

*E-Mail: [fawoyera@aol.com](mailto:fawoyera@aol.com)*



**Francis Awoyera & Associates, PC.**

**Certified Public Accountants & Management Consultants**

7600 Georgia Avenue, NW • Washington DC 20012 • Suite 302 • Tel: 202-723-1269 • Fax: 202-723-1639

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope Health Systems, Inc., as of December 31, 2017, Income Statement and Statement of cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. There are no other matters related to the financial statements as a whole that need presentation for purposes of additional analysis.

*Francis Awoyera, CPA*

Francis Awoyera & Associates, PC  
Washington, District of Columbia  
September 14, 2018

**HOPE HEALTH SYSTEMS INC**  
**BALANCE SHEET**  
as of December 31, 2017

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalent	\$	(52,293.81)
Accounts Receivable		345,906.54

**Other Current Assets**

Hope Health Properties		
Agape Health Systems		1,500.00
Peju's Kitchen		47,592.44
Suspence		33,910.94
Deposits		23,000.00
Employees Advance		54,215.00
Total Other Current Assets		160,218.38

Total Current Assets		453,831.11
----------------------	--	------------

Advance to Shareholders		66,119.62
-------------------------	--	-----------

**FIXED ASSETS**

Software		239,728.59
Leasehold Improvement		347,791.96
Furniture and Fixture		63,500.85
Computer		107,971.36
Office Equipments		38,080.00
less Accumulated Depreciation		(535,772.00)
Total Fixed Assets		261,300.76

**Other Assets**

Goodwill		28,000.00
Accumulated Amortization		(6,223.00)
Total Goodwill		21,777.00

Security Deposit		8,259.34
------------------	--	----------

Total Other Assets		30,036.34
TOTAL ASSETS		\$ 811,287.83

**HOPE HEALTH SYSTEMS INC**  
**BALANCE SHEET (Cont'd)**  
**as of December 31, 2017**

**LIABILITIES AND SHAREHOLDERS' EQUITY**

**Current Liabilities**

Accounts Payable	\$ 204,641.63
Credit Cards	104,733.31
Loans from Shareholders	12,437.25

**Other Current Liabilities**

Due to IRS	57,948.24
Due to State of MD	1,006.00
Deferred Income Tax Liabilities	58,687.00
Payroll Liabilities	251,560.45
Total Other Current Liabilities	<u>369,201.69</u>

Total Current Liabilities	<u>691,013.88</u>
---------------------------	-------------------

**Longterm Liabilities**

Notes Payable	244,498.84
Investment By Owner	500.00

Total Liabilities	<u>936,012.72</u>
-------------------	-------------------

**Equity:**

Retained Earnings	(366,439.88)
Net Income	241,714.99
Total Equity	<u>(124,724.89)</u>
Total Liabilities and Shareholder's Equity	<u>\$ 811,287.83</u>



**HOPE HEALTH SYSTEMS, INC**  
**INCOME STATEMENT**  
**for the period ended December 31, 2017**

Income	\$ 12,637,261.75
--------	------------------

**EXPENSES**

Bank Fees	84,960.20
Miscellaneous	8,101.17
Income Tax Penalties	6,500.00
Business Gifts	10,813.19
Amortization Expense	2,800.00
Automobile Expense	92,788.33
Contributions	17,061.91
Depreciation Expense	37,443.00
Dues andd Subscription	860.60
Insurance	502,562.06
Interest Expense	91,200.85
Licenses and Permits	6,147.27
Supplies	128,748.23
Payroll Expenses	7,722,519.27
1099 Employees	1,307,475.27
Postage and Delivery	4,191.74
Printing and Reproduction	7,668.43
Professional Training/Fees	15,780.99
Professional Fee	879,251.08
Recruiting	7,089.73
Rent Expenses	295,860.65
Repairs and Maintenance	107,023.03
Taxes	253,089.42
Employers FICA Contributions	519,833.70
Telephone Expense	74,505.59
Travel & Ent-Meeting	162,751.08
Utilities	48,519.97
Total Expense	12,395,546.76
Net Income(Loss)	\$ 241,714.99

**HOPE HEALTH SYSTEMS INC**  
**STATEMENT OF CASH FLOWS**  
as of December 31, 2017

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net Income	\$ 241,714.99
<i>Adjustments to reconcile net income to operating activities:</i>	
Depreciation Expense	37,443.00
Amortization Expense	2,800.00
Accounts Receivables	(65,986.29)
Hope Health Properties	(4,901.47)
Agape Health Systems	161,279.35
Peju's Kitchen	14,498.83
Suspence	(33,910.94)
Employee Advance	(6,867.50)
Advance to Shareholders	24,673.32
Accounts Payable	(39,108.51)
Credit Card	(2,054.07)
Loans from Stockholder	12,437.25
Deferred Income Tax Liability	29,917.00
<i>Total Adjustments</i>	<u>130,219.97</u>
Net Cash Provided by Operating Activities	<u>371,934.96</u>

**CASH FLOWS FROM INVESTING ACTIVITES**

Computers	(121.96)
Leasehold Improvement	(1,100.00)
Net Cash Provided by Investing Activities	<u>(1,221.96)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Investment by Owner	500.00
Notes Payable	(309,887.59)
Retained Earnings	(54,900.18)
Cash Flows Provided By Financing Activities	<u>(364,287.77)</u>

Net Change in Cash	6,425.23
Cash at Beginning	(58,719.04)
Cash at End	<u>\$ (52,293.81)</u>

**HOPE HEALTH SYSTEMS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**ORGANIZATION**

Hope Health Systems, Inc. (HHS) is a profit entity that caters to individuals who are experiencing mental illness. The company was incorporated in the State of Maryland in 1999.

The Corporation is licensed by Department of Health and Mental Hygiene. The Office of Health Care Quality, Community Health Services Unit, approves HHS as an Outpatient Mental Health Clinic. The foundation of Hope Health Systems is built on helping individuals and families to have a normal life and become productive citizen in the community.

**BASIS OF ACCOUNTING**

Hope Health Systems, Inc. prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenue and related assets are recognized when earned and expenses and related liabilities are recognized when the obligations are incurred. Accordingly, the financial statements reflect all significant payables and liabilities.

**CASH AND CASH EQUIVALENT**

The cash reported by Hope Health Systems, Inc. totaled (\$52,293.81). This is mostly due to their payroll account that had a book balance of (\$58,719) because of checks that have been posted to the books but were still outstanding as at the date the end of the period.

**REVENUES**

Hope Health Systems, Inc. receives the majority of their revenue through contracts with the State Department of Human Services. They offer services such as mental health, early intervention, training, consultation and treatment services. These services are offered through a variety of programs such as: Outpatient Mental Health Care(OMHC), Expanded School-Base Mental Health(ESMH), Department of Juvenile Services(DJS), Psychiatric Rehabilitation Program(PRP), Health Homes, Substance Abuse, and Mobile treatment Services.

**HOPE HEALTH SYSTEMS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2017 (Cont'd)**

**NOTE 2: ACCOUNTS RECEIVABLE**

The period January to December 31, 2017 ended with an increase of \$65,986.29 to Hope Healthcare System account receivable. The ending balance was \$345,906.54.

**NOTE 3: ADVANCES TO SHAREHOLDERS**

Hope Health Systems Inc. advance to shareholders via bank transfer. The advances were to the Directors in total of \$66,119.62.

**NOTE 4: FIXED ASSETS**

Fixed Assets are recorded at cost and depreciated on a straight-line basis, modified straight line using the half year convention over their estimated useful life of each asset. The following schedule shows how the book values of the total fixed assets have changed over the year.

**FIXED ASSETS**

Software	239,728.59
Leasehold Improvement	347,791.96
Furniture and Fixture	63,500.85
Computer	107,971.36
Office Equipments	38,080.00
less Accumulated Depreciation	<u>(535,772.00)</u>
Total Fixed Assets	261,300.76

**HOPE HEALTH SYSTEMS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2017 (Cont'd)**

**NOTE 5: GOODWILL**

Agape Health System was acquired in February of 2015 and provided a total goodwill of \$28,000. It was amortized on the straight line basis over 15 years, but should have been amortized over a period no greater than 10 years. Therefore, the amortization was adjusted base on FASB Accounting Standard 350-20-35-64.

According to the standard, an entity may revise the remaining useful life of goodwill upon the occurrence of events and changes in circumstances that warrant a revision to the remaining period of amortization. However, the cumulative amortization period for any amortizable unit of goodwill cannot exceed 10 years. If the estimate of the remaining useful life of goodwill is revised, the remaining carrying amount of goodwill shall be amortized prospectively on a straight-line basis over that revised remaining useful life.

The schedule presented below shows the change in Goodwill over the year.

Other Assets

Goodwill	28,000.00
Accumulated Amortization	<u>(6,223.00)</u>
Total Goodwill	<u>21,777.00</u>

**NOTE 6: ACCOUNTS PAYABLE**

The total accounts payable balance at the end the year was \$204,641.63.

**NOTE 7: NOTE PAYABLE**

This amount reflects the amount of long-term liabilities that is owed by Hope Health Systems Inc. as at December 31, 2017.

Notes Payable

Provider Web Capital	244,498.84
----------------------	------------