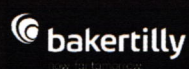


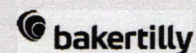
2020 audit planning: Susquehanna Community Health& Dental Clinic, Inc. d/b/a River Valley Health & Dental Clinic

June 8, 2020



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Executive summary

We are pleased to discuss with you our initial plan for your June 30, 2020 financial statement audits. This document includes information for discussion on:

- Audit Planning
 - Audit approach
 - Significant risks and other areas of emphasis
 - Coordination with internal audit
 - Materiality considerations
 - Other required communications
 - Audit timetable
 - Client service team
- Questions for those charged with governance
- Accounting standards updates
- Trending challenges for organizations

THIS COMMUNICATION IS INTENDED SOLELY FOR THE INFORMATION AND USE OF THOSE CHARGED WITH GOVERNANCE, AND, IF APPROPRIATE, MANAGEMENT, AND IS NOT INTENDED TO BE AND SHOULD NOT BE USED BY ANYONE OTHER THAN THESE SPECIFIED PARTIES.

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AUDIT PLANNING

Audit approach

We will perform the financial statement audit in accordance with auditing standards generally accepted in the United States of America (GAAS) in order to obtain reasonable, rather than absolute, (collectively, the Organization) financial statements are prepared in accordance with assurance that Susquehanna Community Health & Dental Clinic, Inc. d/b/a River Valley Health & Dental Center accounting principles generally accepted in the United States of America and are free from material misstatement, whether due to fraud or error.

We will communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to your responsibilities as the finance committee, in overseeing the financial reporting process.

Our financial statement audit for 2020 represents an approach responsive to our risk assessments and the specific needs of the Organization. We design our audit and other procedures for the following:

- Express an opinion on the financial statements of Susquehanna Community Health & Dental Clinic, Inc.
- Issue a management letter to management and the Finance Committee.
- Issue communications regarding material weaknesses, significant deficiencies, and other deficiencies, as applicable.
- Prepare and present an Audit Results report to management and the Finance Committee.

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**AUDIT PLANNING****Audit approach**

In addition to the above audit services, we will perform the following other services for Susquehanna Community Health & Dental Clinic, Inc. d/b/a River Valley Health & Dental Center

- Draft financial statements
- Draft schedule of expenditures of federal awards
- Prepare tax returns
- Prepare cost reports
- Prepare data collection form

Our audit does not relieve management of its responsibilities with regard to the financial statements.

Our audit includes consideration of internal controls over financial reporting as a basis for designing our audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal controls over financial reporting.

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**AUDIT PLANNING****Significant risks**

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. We have identified the following as significant risks:

- Management override of controls
- Improper revenue recognition due to fraud
- COVID-19 impact on operating results

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**AUDIT PLANNING**

Other areas of emphasis

We will also focus on other areas that do not meet the definition of a significant risk, but are determined to require specific awareness and a unique audit response. We have identified the following as other areas of emphasis:

- Adoption and implementation of new accounting standards
- IT general controls
- Revenue recognition, including net realizable value of accounts receivable and patient service revenue
- COVID-19 impact
- Estimated third-party settlements
- Property and equipment
- Long-term debt, including compliance with debt covenants
- Completeness and accuracy of financial statement disclosures

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**AUDIT PLANNING**

Materiality considerations

- Financial statement materiality
 - Planning materiality (based on assets / revenues)
 - Performance materiality (% of planning materiality)
 - Threshold for "trivial" amounts (% of performance materiality)
- Sampling materiality
 - Tolerable misstatement (% of planning materiality)
 - Individually significant items (% of tolerable misstatement)

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AUDIT PLANNING

Other required communications

- We did not discuss any significant issues with management in connection with our retention as auditors regarding the application of accounting principles and auditing standards.
- Management will be using specialists for the following audit areas:
 - Estimated medical malpractice claims liability
 - Post retirement benefit obligation
- We do not have any planned use of other participating firms.
- We are not aware of any circumstances or relationships that may reasonably be thought to bear on our independence.

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AUDIT PLANNING

Audit Timetable

Timing	Key item description	Board responsibilities
June 8, 2020	Planning presentation meeting with the Audit Committee	Maintain open lines of communications with the auditors regarding any significant operational changes and/or questions or concerns relating to the audit.
Week of June 8, 2020	Preliminary fieldwork, planning procedures, perform interim detail testing	
September 8 th to September 18 th	Fieldwork: update controls and perform year-end detail testing	
September 2020	Draft of all financial statements and letters to management	
October 2020	Present draft of financial statements and letters to the Audit Committee	

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AUDIT PLANNING

Financial Statement Audit Client Service Team



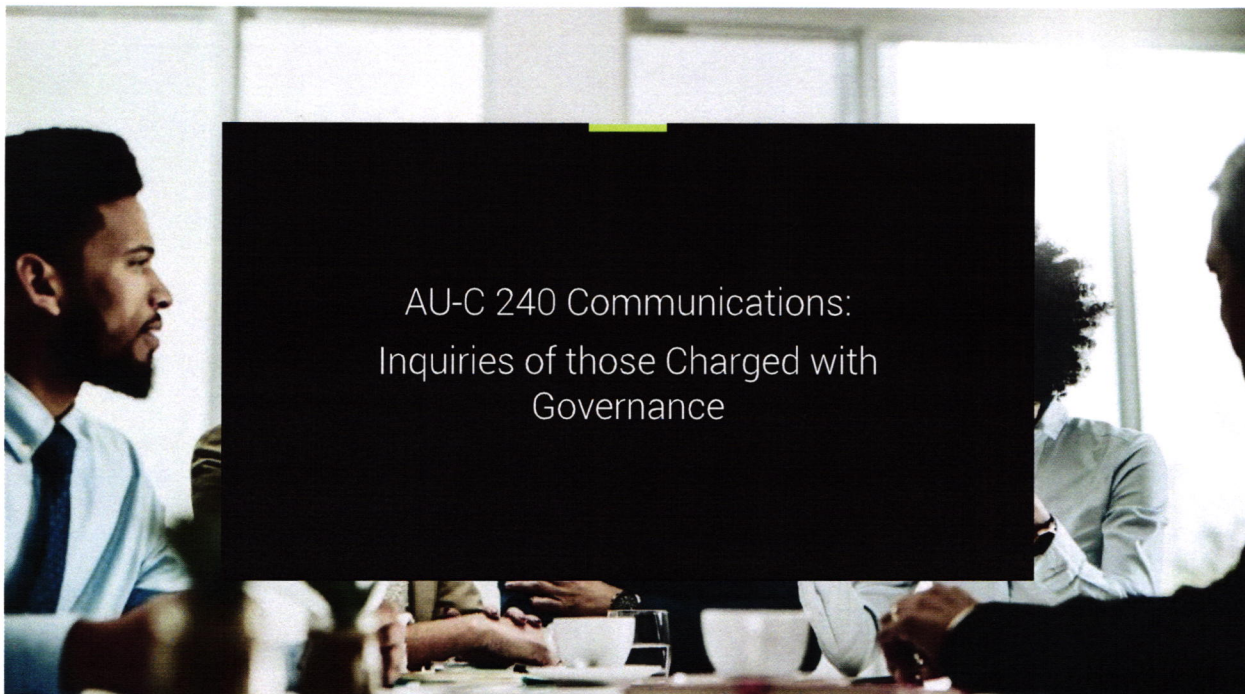
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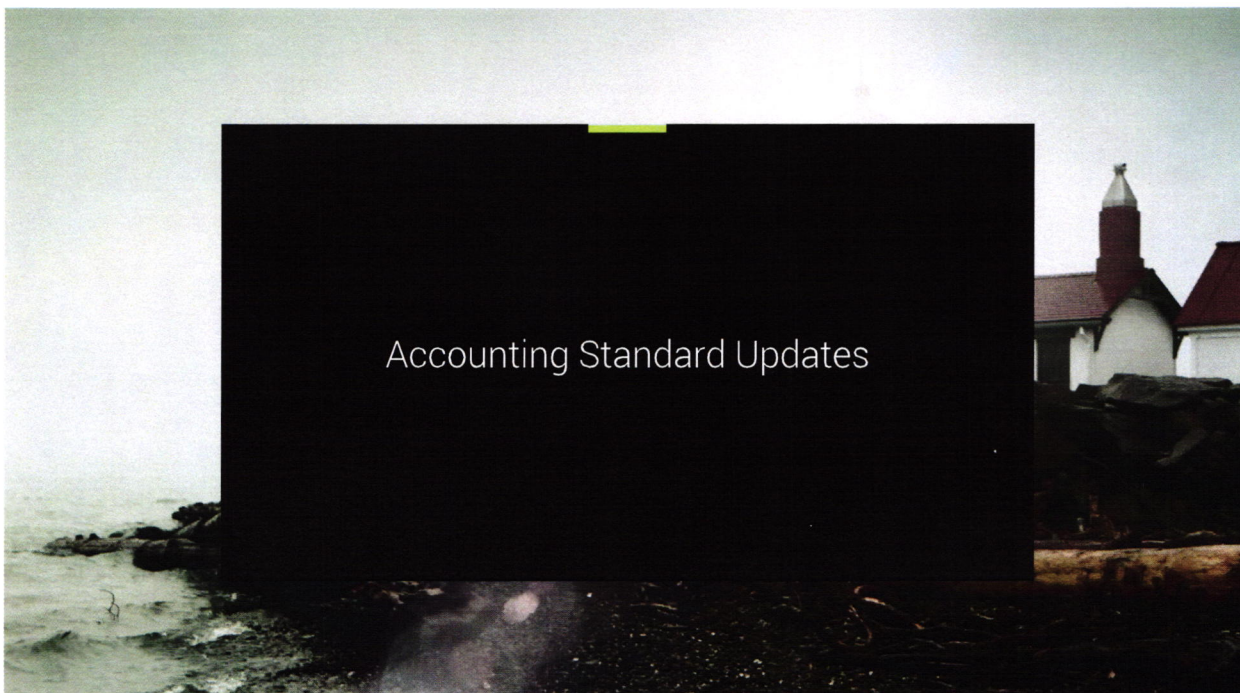
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INQUIRIES OF THOSE CHARGED WITH GOVERNANCE**General inquiries**

1. What concerns do you have over the possibility of fraud having a significant impact in achieving the operational and financial goals of the Organization?
 - o Knowledge of any actual fraud or suspicions of fraud affecting the Organization
 - o Awareness of allegations of fraud affecting the organization including violations of laws or regulations
 - o Management reporting to the Board about how internal control serves to prevent, deter and detect material misstatements due to fraud
2. Have you received any tips or complaints related to the Organization's financial reporting? How have you responded to such tips and complaints?
3. Are you aware of any transactions entered into with related parties, and if so, what is your understanding of the business purpose?
4. Are you aware whether the Organization has entered into any significant unusual transactions, and if so, what is your understanding of the business purpose? Significant unusual transactions include transactions outside the normal course of business or transactions that are unusual due to timing, size, or nature.

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ACCOUNTING CHANGES RELEVANT TO THE ORGANIZATION

Accounting standards updates

ASU	Description	Effective date
2018-08	Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made	6/30/2020
2014-09	Revenue from Contracts with Customers (Topic 606)	6/30/2020**
2016-02	Leases (Topic 842)	6/30/2021**

** - The FASB issued deferrals for the implementation dates for ASC 606 and ASC 842 for one year for certain private companies and NFPs.

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ACCOUNTING CHANGES RELEVANT TO THE ORGANIZATION

Accounting standards updates

- 2018-08: *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*
 - Guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.
- 2014-09: *Revenue from Contracts with Customers (Topic 606)*
 - Requires that entities should recognize revenue to depict the transfer of promised goods or services to customers (patients) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
- 2016-02: *Leases (Topic 842) (as amended)*
 - Requires that a lessee recognize a right-to-use asset and lease liability, initially measured at the present value of the lease payments, in the balance sheet for operating leases. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the Corporation's leasing activities.

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TRENDING CHALLENGES FOR ORGANIZATIONS

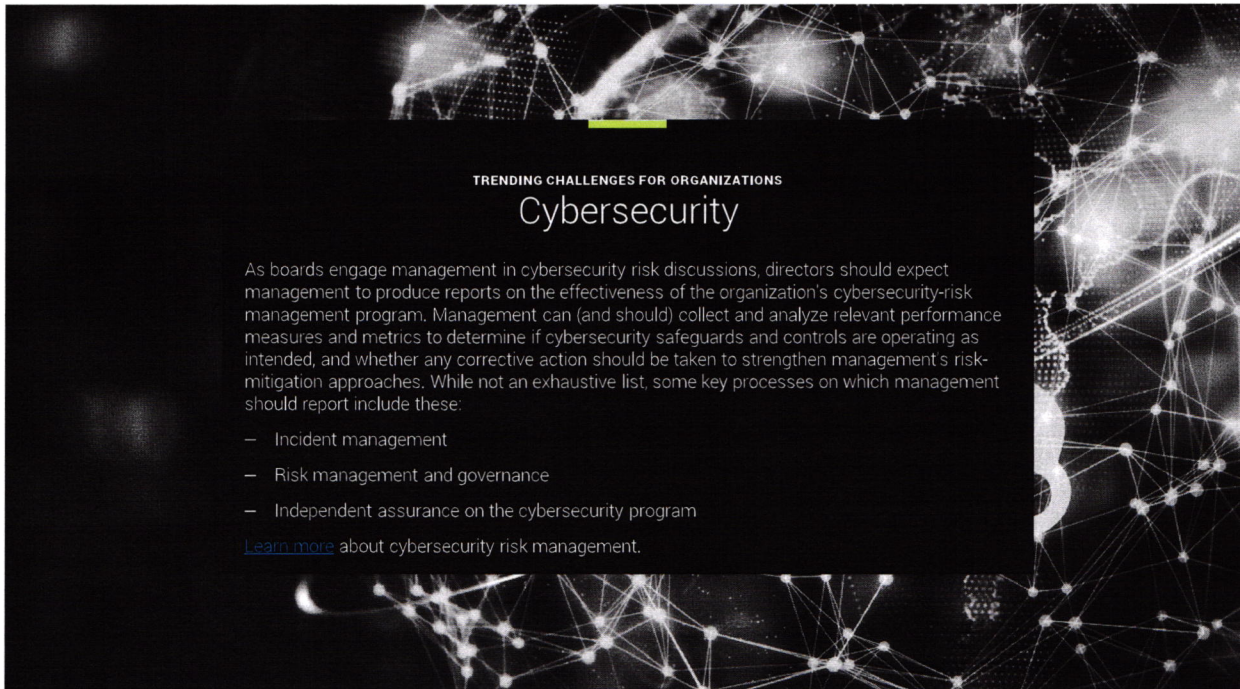
COVID-19 Risks and Ongoing Response

Staying nimble and resilient during unprecedented disruption

COVID-19 has challenged all organizations and the effects continue to unfold. It is critical that management and boards of directors stay nimble to respond to direct and indirect effects of this disruption on operations, cash flow, and people. Learn about [Coronavirus resources](#), including the latest news on business continuity and cash flow management, Federal stimulus and tax developments, and more.

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TRENDING CHALLENGES FOR ORGANIZATIONS

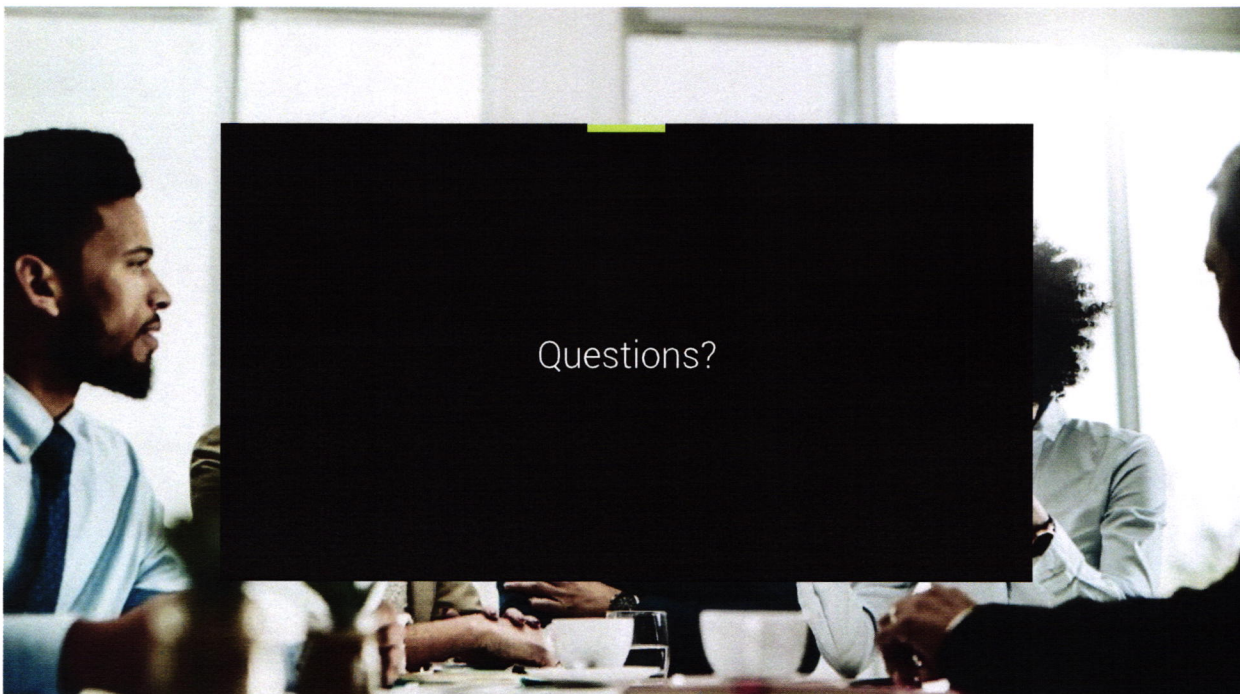
Cybersecurity

As boards engage management in cybersecurity risk discussions, directors should expect management to produce reports on the effectiveness of the organization's cybersecurity-risk management program. Management can (and should) collect and analyze relevant performance measures and metrics to determine if cybersecurity safeguards and controls are operating as intended, and whether any corrective action should be taken to strengthen management's risk-mitigation approaches. While not an exhaustive list, some key processes on which management should report include these:

- Incident management
- Risk management and governance
- Independent assurance on the cybersecurity program

[Learn more](#) about cybersecurity risk management.

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Questions?

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Sign up for mailings and gain access to complimentary:

- > Not-for-profit, healthcare and senior living-specific newsletters and email alerts
- > CPE-eligible live events and webinars on topics like ASC 606, cybersecurity, fraud and more

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Appendix A: Engagement letter

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