

**THE JOSEPH P. ADDABBO FAMILY  
HEALTH CENTER, INC.**

Arverne, New York

REPORT ON AUDITS OF FINANCIAL STATEMENTS  
AND FEDERAL AWARDS

Includes Independent Auditors' Report

As of and for the Years Ended December 31, 2012 and 2011

**THE JOSEPH P. ADDABBO FAMILY  
HEALTH CENTER, INC.**

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*Years Ended December 31, 2012 and 2011*

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## **Financial Statements**



formerly  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Joseph P. Addabbo Family  
Health Center, Inc.  
Arverne, New York

### Report on the Financial Statements

We have audited the accompanying financial statements of The Joseph P. Addabbo Family Health Center, Inc. (the "Center") which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of operations and changes in net assets, functional expenses and cash flows for the years 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 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 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.

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 The Joseph P. Addabbo Family Health Center, Inc. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors  
The Joseph P. Addabbo Family  
Health Center, Inc.

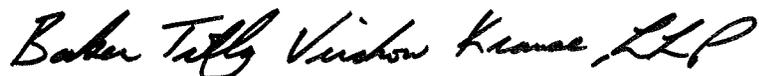
#### **Other Matters**

#### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2013, on our consideration of The Joseph P. Addabbo Family Health Center, Inc.'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Joseph P. Addabbo Family Health Center, Inc.'s internal control over financial reporting and compliance.



Melville, New York  
September 26, 2013

**THE JOSEPH P. ADDABBO FAMILY  
HEALTH CENTER, INC.**

**Balance Sheets**

<i>December 31,</i>	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
Current Assets:		
Cash	\$ 2,147,410	\$ 1,835,558
Patient services receivable, net (Note 2)	4,231,836	4,988,375
Contracts receivable (Note 3)	743,032	820,643
Insurance proceeds receivable (Note 11)	974,238	-
Prepaid expenses and other assets	32,280	33,876
Current maturities of notes receivable (Note 5)	54,305	63,895
Total Current Assets	<u>8,183,101</u>	<u>7,742,347</u>
Debt Service Reserve Fund (Note 7)	968,111	968,111
Notes Receivable, less current maturities (Note 5)	20,361	59,923
Security Deposits	40,566	40,566
Property and Equipment, net (Note 4 and Note 7)	22,659,828	20,860,234
Total Assets	<u>\$ 31,871,967</u>	<u>\$ 29,671,181</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,467,188	\$ 1,196,183
Accrued compensation	1,025,686	918,877
Current maturities of due to third-party (Note 5)	466,908	469,734
Refundable advances	298,971	341,742
Current maturities of long-term debt (Note 7)	1,922,035	758,064
Total Current Liabilities	<u>5,180,788</u>	<u>3,684,600</u>
Deferred Rent	76,576	77,183
Due to Third-Party, less current maturities (Note 5)	20,268	88,138
Long-Term Debt, less current maturities (Note 7)	7,296,535	8,093,568
Total Liabilities	<u>12,574,167</u>	<u>11,943,489</u>
Commitments and Contingencies		
Net Assets - Unrestricted	19,297,800	17,727,692
Total Liabilities and Net Assets	<u>\$ 31,871,967</u>	<u>\$ 29,671,181</u>

**THE JOSEPH P. ADDABBO FAMILY  
HEALTH CENTER, INC.**

**Statements of Operations and Changes in Net Assets**

<i>Years Ended December 31,</i>	<b>2012</b>	<b>2011</b>
Patient Services Revenue:		
Patient services, net of contractual allowance (Note 9)	\$ 27,856,119	\$ 26,500,137
Provision for bad debts	(934,747)	(795,349)
Net Patient Services Revenue Less Provision for Bad Debts	<u>26,921,372</u>	<u>25,704,788</u>
Other Revenue:		
DHHS grants (Note 8)	3,257,429	2,824,133
Contract services (Note 10)	2,888,759	3,509,809
Other	633,944	1,082,140
Total Other Revenue	<u>6,780,132</u>	<u>7,416,082</u>
Total Revenue	<u>33,701,504</u>	<u>33,120,870</u>
Expenses:		
Salaries and benefits	25,192,023	21,364,970
Other than personnel services	6,395,366	6,645,549
Interest	508,731	510,589
Total Expenses	<u>32,096,120</u>	<u>28,521,108</u>
Operating Income Prior to Other Income (Expense)	<u>1,605,384</u>	<u>4,599,762</u>
Other Income (Expenses):		
Gain on insurance proceeds (Note 11)	879,048	-
Depreciation and Amortization	(914,324)	(831,444)
Total Other Expense	<u>(35,276)</u>	<u>(831,444)</u>
Increase in Net Assets	<u>1,570,108</u>	<u>3,768,318</u>
Net Assets, beginning of year	17,727,692	13,959,374
Net Assets, end of year	<u>\$ 19,297,800</u>	<u>\$ 17,727,692</u>

**THE JOSEPH P. ADDABBO FAMILY  
HEALTH CENTER, INC.**

**Statements of Functional Expenses**

*Year Ended December 31, 2012 (with comparative totals for 2011)*

	Program Services	General and Administrative	<b>2012 Total</b>	2011 Total
Salaries and Wages	\$ 16,880,938	\$ 2,965,476	<b>\$ 19,846,414</b>	\$ 16,952,050
Fringe Benefits	4,548,119	797,490	<b>5,345,609</b>	4,412,920
Consultants and Contractual Services	404,420	228,478	<b>632,898</b>	658,823
Professional Fees	-	397,309	<b>397,309</b>	85,569
Consumable Supplies	933,455	144,582	<b>1,078,037</b>	1,148,580
Telephone	171,670	30,101	<b>201,771</b>	162,879
Travel, Conferences and Meetings	22,510	92,256	<b>114,766</b>	83,845
Occupancy	331,290	58,090	<b>389,380</b>	818,367
Equipment Rental and Maintenance	76,953	106,965	<b>183,918</b>	222,979
Pharmaceuticals	2,786,606	-	<b>2,786,606</b>	2,780,231
Insurance	118,799	15,343	<b>134,142</b>	152,964
Printing, Publications and Postage	6,295	45,695	<b>51,990</b>	45,948
Dues and Subscriptions	15,934	97,995	<b>113,929</b>	115,992
Data Processing	-	46,852	<b>46,852</b>	44,902
Personnel Recruitment	214	110,961	<b>111,175</b>	174,462
Patient Transportation	41,897	-	<b>41,897</b>	30,408
Interest	432,835	75,896	<b>508,731</b>	510,589
Other	58,486	52,210	<b>110,696</b>	119,600
	26,830,421	5,265,699	<b>32,096,120</b>	28,521,108
Depreciation and Amortization	777,920	136,404	<b>914,324</b>	831,444
<b>Total Functional Expenses</b>	<b>\$ 27,608,341</b>	<b>\$ 5,402,103</b>	<b>\$ 33,010,444</b>	<b>\$ 29,352,552</b>

# THE JOSEPH P. ADDABBO FAMILY HEALTH CENTER, INC.

## Statements of Cash Flows

<i>Years Ended December 31,</i>	2012	2011
<b>Cash Flows from Operating Activities:</b>		
Cash received from DHHS grants	\$ 3,257,429	\$ 2,824,133
Cash received from patient services	27,645,716	24,235,457
Cash received from contract services	2,966,370	3,538,979
Cash received from other	581,334	1,109,667
Cash paid for interest	(508,731)	(510,589)
Cash paid for operations	(31,209,699)	(27,373,964)
<b>Net Cash Provided by Operating Activities</b>	<b>2,732,419</b>	<b>3,823,683</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	(2,765,961)	(1,352,036)
Payments received on notes receivable	49,152	53,482
<b>Cash Used in Investing Activities</b>	<b>(2,716,809)</b>	<b>(1,298,554)</b>
<b>Cash Flows from Financing Activities:</b>		
Repayments to the line of credit	-	(500,000)
Proceeds from long-term debt	1,125,000	-
Principal payments of long-term debt	(758,062)	(705,409)
Principal payments of due to third-parties	(70,696)	(170,968)
<b>Cash Provided by (Used in) Financing Activities</b>	<b>296,242</b>	<b>(1,376,377)</b>
<b>Net Increase in Cash</b>	<b>311,852</b>	<b>1,148,752</b>
Cash, beginning of year	1,835,558	686,806
<b>Cash, end of year</b>	<b>\$ 2,147,410</b>	<b>\$ 1,835,558</b>
<b>Reconciliation of Increase in Net Assets to</b>		
<b>Net Cash Provided by Operating Activities:</b>		
Increase in net assets	\$ 1,570,108	\$ 3,768,318
<b>Adjustments to reconcile increase in net assets to</b>		
<b>net cash provided by operating activities:</b>		
Depreciation and amortization	914,324	831,444
Provision for bad debts	934,747	795,349
Loss on disposal of assets	52,043	-
Deferred rent	(607)	10,904
<b>Changes in operating assets and liabilities:</b>		
Increase in patient services receivable	(178,208)	(2,259,917)
Decrease in contracts receivable	77,611	29,170
Increase in insurance proceeds receivable	(974,238)	-
Decrease in prepaid expenses and other assets	1,596	48,482
Increase in security deposits	-	(3,000)
Increase in accounts payable and accrued expenses	271,005	521,687
Increase in accrued compensation	106,809	53,719
(Decrease) increase in refundable advances	(42,771)	27,527
<b>Total Adjustments</b>	<b>1,162,311</b>	<b>55,365</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 2,732,419</b>	<b>\$ 3,823,683</b>

*See notes to financial statements.*

# THE JOSEPH P. ADDABBO FAMILY HEALTH CENTER, INC.

## Notes to Financial Statements

Years Ended December 31, 2012 and 2011

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### 1. Description of the Organization and Summary of Significant Accounting Policies

**Nature of operations** - The Joseph P. Addabbo Family Health Center, Inc. (the "Center") operates freestanding diagnostic and treatment centers, licensed under Article 28 of the New York State health law, located in the counties of Queens and Kings, New York. The Center provides a broad range of health services to a largely medically underserved population.

The United States Department of Health and Human Services (the "DHHS") provides substantial support to the Center. The Center is obligated under the terms of the DHHS grants to comply with specified conditions and program requirements set forth by the grantor.

**Basis of accounting** - The financial statements of the Center have been prepared on the accrual basis of accounting.

**Use of estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Allowance for doubtful accounts** - Patient services receivable is reported at its outstanding unpaid balance reduced by an allowance for doubtful accounts. In evaluating the collectability of the patient services receivable, the Center analyzes its past history and identifies trends for each of its major payor sources to estimate the appropriate allowance for doubtful accounts and provision for bad debt. For receivables associated with services provided to patients with third-party coverage, Medicaid, and Medicare, the Center analyzes contractually due amounts to determine the adequate allowance for doubtful accounts and provision for bad debts. For receivables associated with self-pay patients, the Center records a provision for bad debts in the period of service based on its past experience, which indicates that many patients are unable or unwilling to pay a portion of their bill for which they are financially responsible. The difference between the contractual rates and the amounts actually collected after all reasonable efforts are exhausted are charged off against the allowance for doubtful accounts.

**Property and equipment, net** - Property and equipment is recorded at cost. Depreciation and amortization of equipment is recorded on a straight-line basis over the estimated useful lives of the assets, ranging from two years for furniture and equipment to 40 years for building and building improvements. Leasehold improvements are amortized on a straight-line basis over the estimated useful life of the improvement or the term of the lease, whichever is less. The Center capitalizes assets with a useful life of more than two years and value greater than \$5,000.

**Donor-imposed restrictions** - The Center records contributions as either temporarily or permanently restricted revenue if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statements of operations and changes in net assets as net assets released from restrictions. Donor restricted contributions whose restrictions expire during the same fiscal year are recognized as unrestricted revenue.

The Center reports gifts of land, buildings and equipment as unrestricted support. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

# THE JOSEPH P. ADDABBO FAMILY HEALTH CENTER, INC.

## Notes to Financial Statements

Years Ended December 31, 2012 and 2011

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**Donated services** - No amounts have been included in the accompanying financial statements for donated services since no objective basis is available to measure the value of such services and these services would not otherwise be purchased.

**Revenue recognition** - Revenue from government grants and contracts designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantors restrictions. Grants and contracts awarded for the acquisition of long-lived assets are reported as unrestricted nonoperating revenue during the fiscal year in which the assets are acquired, in the absence of donor stipulations to the contrary. Cash received in excess of revenue recognized is recorded as refundable advances. At December 31, 2012 and 2011, the Center has received conditional grants and contracts from governmental entities in the aggregate amount of approximately \$2,530,000 and \$2,171,000, respectively, that have not been recorded in these financial statements. These grants and contracts require the Center to provide certain healthcare services during specified periods. If such services are not provided during the periods, the governmental entities are not obligated to expend the funds allotted under the grants and contracts.

Patient services revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered. Self-pay revenue is recorded at published charges with charitable allowances deducted to arrive at net self-pay revenue. All other patient services revenue is recorded at published charges with contractual allowances deducted to arrive at patient services, net.

**Charity care** - The Center provides care to patients who lack financial resources and are deemed to be medically indigent based on criteria established under the Center's charity care policy. This care is provided at amounts based on the Center's sliding fee scale. Because the Center does not pursue collection of amounts in excess of the sliding fee scale, such amounts are not reported as revenue. The Center maintains records to identify and monitor the level of charity care provided. These records include the amount of direct and indirect costs for services and supplies furnished under its charity care policy. The direct and indirect costs related to this care totaled approximately \$3,893,000 and \$3,723,000 in 2012 and 2011, respectively. Direct and indirect costs for providing charity care are estimated by calculating a ratio of cost to visits and then multiplying that ratio by the visits associated with providing care to charity patients. In addition, the Center provides services to other medically indigent patients under various state Medicaid programs. Such programs pay amounts that are less than the cost of the services provided to the recipients.

**Interest income** - Interest earned on federal funds is recorded as a payable to the Public Health Service (the "PHS") in compliance with OMB Circular A-110.

**Income taxes** - The Center was incorporated as a not-for-profit corporation under the laws of the State of New York and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, there is no provision for income taxes.

**Uncertain tax positions** - Management has evaluated the Center's tax positions and concluded that the Center has not taken any uncertain tax positions that require adjustment or disclosure to the financial statements. Generally, the Center is no longer subject to income tax examination by United States federal, state or local tax authorities for years before 2009, which is the standard statute of limitations look-back period.

**Subsequent events** - Management has evaluated subsequent events through September 26, 2013, the date the financial statements were available for issuance, for inclusion or disclosure in the financial statements.

# THE JOSEPH P. ADDABBO FAMILY HEALTH CENTER, INC.

## Notes to Financial Statements

Years Ended December 31, 2012 and 2011

### 2. Patient Services Receivable, Net

Patient services receivable, net, consist of the following:

<i>December 31,</i>	2012	2011
Medicaid and Medicaid Managed Care Wraparound	\$ 2,257,893	\$ 2,233,424
Medicare	85,000	61,523
Other Third-Party Payors	188,182	124,257
Managed Care Plans	437,811	1,026,253
New York State Uncompensated Care	455,448	387,162
340B Pharmacy	1,037,402	667,006
Meaningful Use	204,000	488,750
	<u>4,665,736</u>	<u>4,988,375</u>
Less Allowance for Doubtful Accounts	433,900	-
	<u>\$ 4,231,836</u>	<u>\$ 4,988,375</u>

### 3. Contracts Receivable

Contracts receivable consist of the following:

<i>December 31,</i>	2012	2011
New York State Department of Health:		
HEAL 14 NY	\$ 357,404	\$ 426,910
Women, Infants and Children Program	365,176	181,134
Child Health Plus and Medicaid Facilitated Enrollment	-	62,599
Healthfirst	20,452	150,000
	<u>\$ 743,032</u>	<u>\$ 820,643</u>

### 4. Property and Equipment, Net

Property and equipment, net, at cost, consist of the following:

<i>December 31,</i>	2012	2011
Land	\$ 1,023,465	\$ 1,023,465
Building	22,423,661	20,732,589
Equipment	3,747,262	3,333,210
Leasehold Improvements	213,608	213,608
Construction-in-Progress	1,231,701	660,163
	<u>28,639,697</u>	<u>25,963,035</u>
Less Accumulated Depreciation and Amortization	5,979,869	5,102,801
	<u>\$ 22,659,828</u>	<u>\$ 20,860,234</u>

In the event the DHHS grants are terminated, the DHHS reserves the right to transfer all property and equipment purchased with grant funds to the PHS or third-parties.

### 5. Due to Third-Party

In 2004, the Center converted to Comprehensive Outpatient Program Services ("C.O.P.S.") billing for the mental health program. However, they continued to bill the New York City Office of Mental Health ("NYCOMH") under the old vouchering method and New York City paid them. Therefore, there was a balance payable to NYCOMH. As of and for each year ended December 31, 2012 and 2011, there was approximately \$406,000, due to NYCOMH.

# THE JOSEPH P. ADDABBO FAMILY HEALTH CENTER, INC.

## Notes to Financial Statements

*Years Ended December 31, 2012 and 2011*

At December 31, 2012 and 2011, the Center had a liability outstanding to Health Plus in the amount of \$80,764 and \$151,460, respectively. This liability was related to an overpayment to the OBGYN doctors from 2002 to 2008. The employees have notes receivables outstanding to reimburse the Center for their portion of the liability. Monthly payments are required to be paid to Health Plus for terms from 36 to 60 months in the total amount of \$6,242. Payments are required to be paid to the Center from the doctors for terms from 36 to 60 months in the total amount of \$5,325. There is no interest due on these payables or receivables. Repayments are required as follows:

*Years Ending December 31,*

2013	\$ 466,908
2014	20,268
	\$ 487,176

### 6. Line of Credit

The Center has available a revolving line of credit of \$1,000,000, which is due on July 30, 2013. This line bears interest at the greater of prime (3.25% as of December 31, 2012 and 2011) plus 1% or 200 basis points above LIBOR (.21% and .28% as of December 31, 2012 and 2011, respectively). As of December 31, 2012 and 2011, there was no balance outstanding on this line of credit. Interest expense approximated \$1,400 and \$6,000 for the years ended December 31, 2012 and 2011, respectively.

### 7. Long-Term Debt

Long-term debt consists of the following:

<i>December 31,</i>	<b>2012</b>	2011
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The Center entered into a mortgage agreement with Primary Care Development Corporation ("PCDC") dated November 12, 2002, for the acquisition and development of 1288 Central Avenue, Far Rockaway, New York. The loan, in the amount of \$2,756,150, matures in November 2017 with an interest rate of 6.60%. The principal and interest are payable in monthly installments beginning November 12, 2002. In addition, the Center is required to fund a Debt Service Reserve Fund equal to one year's debt service to be paid in equal monthly installments over the first three years of the loan term. The purpose of the note is to finance the acquisition and equipping of a primary care facility. The note is secured by the purchased facility and the Debt Service Reserve Fund.

	\$ 1,220,865	\$ 1,422,921
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The Center entered into a loan agreement with PCDC dated May 12, 2006 for the acquisition and development of 6200 Beach Channel Drive, Arverne, New York for 15 years at 7.12% in the amount of \$3,900,000. The note is secured by all assets of the Center and all gross receipts derived by the Center's operations, to the extent permitted by law. The loan matures on May 1, 2021. The principal and interest are payable in monthly installments beginning May 12, 2006. In addition, the Center is required to fund a Debt Service Reserve account equal to one year's debt service.

	2,677,380	2,901,799
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**THE JOSEPH P. ADDABBO FAMILY  
HEALTH CENTER, INC.**

**Notes to Financial Statements**

*Years Ended December 31, 2012 and 2011*

On March 23, 2009, the Center entered into a purchase agreement to acquire a health care facility located at 114-49 Sutphin Boulevard, Jamaica, New York. Under this agreement, the Center assumed the obligations and liabilities of the seller, which included a mortgage on the property, a ground lease and an operating lease. Under the mortgage assumption agreement, the Center assumed responsibility for the original financing of the facility with PCDC, which originally closed on October 1, 1996. On the date of the agreement, the mortgage had a remaining balance of \$5,331,667. The mortgage bears interest at 5.45% per annum and is due on May 1, 2024. The note is secured by the purchased facility. In addition, the Center is required to fund a Debt Service Reserve account equal to one year's debt service. On September 1, 2010, the Center renegotiated the terms of the mortgage. At this date, the interest rate was decreased from 5.45% to 3.27%. All other terms remained consistent.

\$ 4,195,325    \$ 4,526,912

On January 30, 2012, the Center entered into a purchase agreement to acquire a health care facility located at 120 Richards Street, Brooklyn, New York. The note bears interest at 5.25% per annum and is due on June 30, 2013. The note is secured by the purchased facility. In addition, the Center is required to maintain certain financial covenants. In July 2013, this note was refinanced. See Note 15.

	1,125,000	-
	9,218,570	8,851,632
	1,922,035	758,064
	\$ 7,296,535	\$ 8,093,568

Less Current Maturities

Long-term debt matures approximately as follows:

*Years Ending December 31,*

2013	\$ 1,922,000
2014	840,000
2015	888,000
2016	940,000
2017	982,000
Thereafter	3,647,000
	\$ 9,219,000

**8. DHHS Grants**

The Center recognized the following grants from the DHHS:

*Year Ended December 31, 2012*

Grant Number	Grant Name	Grant Period	Total Grant	Revenue Recognized
1C81CS14263-01	ARRA - Capital Improvement Program	6/29/09 to 6/30/12	\$ 855,115	\$ 453,114
2H80CS00430-10	Health Center Cluster	4/01/11 to 3/31/12	2,026,694	506,673
2H80CS00430-11	Health Center Cluster	4/01/12 to 3/31/13	2,084,694	1,563,521
5H76HA00056-19	Early Intervention Services with Respect to HIV Disease	7/01/11 to 6/30/12	734,122	367,060
5H76HA00056-20	Early Intervention Services with Respect to HIV Disease	7/01/12 to 6/30/13	734,122	367,061
				\$ 3,257,429

**THE JOSEPH P. ADDABBO FAMILY  
HEALTH CENTER, INC.**

**Notes to Financial Statements**

*Years Ended December 31, 2012 and 2011*

The Center recognized the following grants from the DHHS:

*Year Ended December 31, 2011*

Grant Number	Grant Name	Grant Period	Total Grant	Revenue Recognized
1H8BCS12369-01	ARRA - Increase Services to Health Centers	3/27/09 to 3/26/11	\$ 262,418	\$ 33,677
1C81CS14263-01	ARRA - Capital Improvement Program	6/29/09 to 6/30/12	855,115	71,794
2H80CS00430-09	Health Center Cluster	4/01/10 to 3/31/11	1,860,485	465,121
2H80CS00430-10	Health Center Cluster	4/01/11 to 3/31/12	2,026,694	1,519,418
5H76HA00056-18	Early Intervention Services with Respect to HIV Disease	7/01/10 to 6/30/11	734,122	367,061
5H76HA00056-19	Early Intervention Services with Respect to HIV Disease	7/01/11 to 6/30/12	734,122	367,062
				<u>\$ 2,824,133</u>

**9. Patient Services Revenue, Net of Contractual Allowance**

Patient services, net of contractual allowance, consist of the following:

<i>Year Ended December 31, 2012</i>	Gross Charges	Contractual and Charitable	Net Patient Services Revenue
Medicaid and Medicaid Managed Care Plans and Managed Care Wraparound	\$ 23,641,618	\$ 2,275,813	\$ 21,365,805
Medicare	1,197,833	496,200	701,633
Other Third-Party Payors	7,225,731	3,267,858	3,957,873
Self-Pay	4,422,980	3,474,091	948,889
		<u>\$ 9,513,962</u>	<u>26,974,200</u>
New York State Uncompensated Care			881,919
			<u>\$ 27,856,119</u>

Patient services, net, consist of the following:

<i>Year Ended December 31, 2011</i>	Gross Charges	Contractual and Charitable	Net Patient Services Revenue
Medicaid and Medicaid Managed Care Plans and Managed Care Wraparound	\$ 23,386,666	\$ 2,446,113	\$ 20,940,553
Medicare	1,616,625	942,098	674,527
Other Third-Party Payors	6,311,144	2,799,957	3,511,187
Self-Pay	4,310,176	3,354,420	955,756
		<u>\$ 9,542,588</u>	<u>26,082,023</u>
New York State Uncompensated Care			418,114
			<u>\$ 26,500,137</u>

Medicaid and Medicare revenue is reimbursed to the Center at the net reimbursement rates determined by each program. Reimbursement rates are subject to revisions under the provisions of reimbursement regulations. Adjustments for such revisions are recognized in the fiscal year incurred.

**THE JOSEPH P. ADDABBO FAMILY  
HEALTH CENTER, INC.**

**Notes to Financial Statements**

*Years Ended December 31, 2012 and 2011*

**10. Contract Services**

Contract services revenue consists of the following:

	<b>2012</b>	<b>2011</b>
New York State Department of Health:		
Women, Infants and Children Program	\$ 1,122,516	\$ 1,082,546
Child Health Plus and Medicaid Facilitated Enrollment	-	323,700
HEAL NY Award - Queens Access Grant	598,694	852,059
The City of New York Department of Health and Mental Hygiene:		
Immunization Grant	1,093,818	993,263
Other:		
Health First	-	150,000
Other	73,731	108,241
	<b>\$ 2,888,759</b>	<b>\$ 3,509,809</b>

**11. Gain on Insurance Proceeds**

In October 2012, the Center was significantly affected by the effects of Hurricane Sandy. During the year ended December 31, 2012, the Center reflected a gain on insurance proceeds of approximately \$879,000. The Center also had a receivable outstanding from the insurance companies for approximately \$974,000.

**12. Pension Plan**

The Center has a contributory defined contribution pension plan covering substantially all nonunion full-time employees meeting certain eligibility requirements. The Center's contributions to the plan are based on a percentage of employee salaries and are charged to pension expense as incurred. Benefits, which are limited to plan assets invested in individual annuity contracts, immediately vest to each eligible participant. Pension expense for this plan approximated \$701,000 and \$569,000 for the years ended December 31, 2012 and 2011, respectively.

Also, the Center is a participant in a pension plan with District 1199, National Union of Hospital and Health Care Employees, RWDSU, AFL-CIO, that has been characterized for financial accounting purposes as a multiemployer pension plan (the "1199 Plan"), a noncontributory defined benefit plan sponsored by the League of Voluntary Hospitals. The risks of participating in a multiemployer plan are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating entity stops contributing to the multiemployer plan, the unfunded obligations of the plan may be borne by the remaining participating entities.
- If an entity petitions to stop participating in the multiemployer plan, the entity may be required to pay the plan a withdrawal liability based on the funded status of the plan.

# THE JOSEPH P. ADDABBO FAMILY HEALTH CENTER, INC.

## Notes to Financial Statements

*Years Ended December 31, 2012 and 2011*

The following table discloses the name and funded status of the 1199 Plan as of January 1, 2012 (the date of the latest actuarial valuation), inclusive of the fair value of plan assets as of December 31, 2011:

Legal Name	1199SEIU Health Care Employees' Pension Plan
EIN/Pension Plan Number	13-3604862-001
Pension Protection Act Zone Status 2011	Green
FIP/RP Status Pending/ Implemented	No
Employer's Contributions Paid to the Plan for the Year Ended December 31, 2012	\$560,961
Employer's Contributions Paid to the Plan for the Year Ended December 31, 2011	\$435,000
Employer's Contributions that Represent More than 5% of Total Contributions	No
Surcharge Imposed	No
Expiration Date of Collective-Bargaining Agreement	4/30/2015

### 13. Commitments and Contingencies

The Center has contracted with various funding agencies to perform certain healthcare services, and receives Medicaid and Medicare revenue from the federal, state and local governments. Reimbursements received under these contracts and payments from Medicaid and Medicare are subject to audit by federal, state and local governments and other agencies. Upon audit, if discrepancies are discovered, the Center could be held responsible for refunding the amounts in question.

The Center operates seven health care facilities, of which four facilities are owned by the Center. In August 2009, the Center entered into a noncancelable lease agreement for a new health care facility that was opened in January 2010. On April 15, 2010, the Center entered into an agreement to lease a new health care facility located in Ozone Park, New York. Both lease terms are for 15 years and call for escalation charges throughout the lease.

The Center subleases a portion of their Beach Channel Drive, Sutphin Boulevard and Central Avenue facilities to various pharmacies. The sublease agreements require payments of approximately \$20,000 per year for each location.

In addition, the Center has noncancelable operating leases for other facilities with remaining terms of six months or less. For the years ended December 31, 2012 and 2011, rent expense under these operating leases approximated \$218,000 and \$219,000, respectively.

The Center has noncancelable equipment operating leases, with remaining lives of six months to two years. For the years ended December 31, 2012 and 2011, rent expense under these operating leases approximated \$13,000 and \$13,000, respectively.

As of December 31, 2012, the approximate future minimum lease payments under these operating leases are as follows:

*Years Ending December 31,*

2013	\$ 212,000
2014	193,000
2015	198,000
2016	189,000
2017	189,000
Thereafter	1,666,000
	<u>\$ 2,647,000</u>

# THE JOSEPH P. ADDABBO FAMILY HEALTH CENTER, INC.

## Notes to Financial Statements

*Years Ended December 31, 2012 and 2011*

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The Center maintains its medical malpractice coverage under the Federal Tort Claims Act ("FTCA"). FTCA provides malpractice coverage to eligible PHS-supported programs and applies to the Center and its employees while providing services within the scope of employment included under grant-related activities. The Attorney General, through the United States Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage.

### 14. Concentration of Credit Risk

Financial instruments which potentially subject the Center to concentrations of credit risk consist principally of temporary cash investments and receivables from government agencies. The Center places its temporary cash investments with high credit quality financial institutions. From time to time during the years ended December 31, 2012 and 2011, the balances in such accounts exceeded the FDIC limits. However, the Center has not experienced, nor does it anticipate, any losses with respect to these bank accounts. Receivables from government agencies are primarily from New York State.

### 15. Subsequent Events

In May 2013, the Center received a \$600,000 loan for 120 Richards Street, Brooklyn, New York. The loan is noninterest bearing and matures on December 30, 2014.

In May 2013, the Center received a \$700,000 loan for 6200 Beach Channel Drive, Arverne, New York. The loan is noninterest bearing and matures on December 30, 2014.

In July 2013, the Center refinanced the mortgage for 120 Richards Street, Brooklyn, New York. The total loan refinanced was \$2,437,500, is due in July 2028, bears interest at 3.53% per annum and requires monthly payments of principal and interest of approximately \$12,400.

**THE JOSEPH P. ADDABBO FAMILY  
HEALTH CENTER, INC.**

**Schedule of Expenditures of Federal Awards**

*Year Ended December 31, 2012*

Federal Award Totals by CFDA Number	CFDA Number	Agency or Pass-Through Grantor's No.	Expenditures
United States Department of Health and Human Services:			
- Direct Program:			
Health Centers Cluster:			
Consolidated Health Centers	93.224	N/A	\$ 2,070,194
ARRA - Capital Improvement Program ("CIP")	93.703	N/A	453,114
Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	734,121
Total Direct United States Department of Health and Human Services			<u>3,257,429</u>
- Passed-Through the City of New York Department of Health and Mental Hygiene:			
Immunization Grant	93.268	N/A	1,093,818
Total Indirect United States Department of Health and Human Services			<u>1,093,818</u>
Total United States Department of Health and Human Services			<u>4,351,247</u>
United States Department of Agriculture:			
- Passed-Through the New York State Department of Health:			
Special Supplemental Nutrition Program for Women, Infants and Children ("WIC")	10.557	C025755	6,862,540
Total United States Department of Agriculture			<u>6,862,540</u>
Total Expenditures of Federal Awards			<u>\$ 11,213,787</u>

# THE JOSEPH P. ADDABBO FAMILY HEALTH CENTER, INC.

## Notes to Schedule of Expenditures of Federal Awards

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*Year Ended December 31, 2012*

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### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant expenditures of The Joseph P. Addabbo Family Health Center, Inc. (the "Center") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *"Audits of States, Local Governments and Non-Profit Organizations"*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The Center did not provide any funding to subrecipients during the year ended December 31, 2012.

### 2. Nonmonetary Assistance

Nonmonetary assistance is reported on the schedule at the fair market value of the WIC checks received. The total federal share of food instruments distributed by the Center amounted to \$5,874,786 and is included in the schedule of expenditures of federal awards.

### 3. Noncash Items

Of the federal expenditures presented in the schedule of federal awards, the Center received \$1,093,818 in immunization vaccines from CFDA No. 93.268, which is a noncash item.

**Independent Auditors' Reports on Federal Awards**



formerly  
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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  
The Joseph P. Addabbo Family  
Health Center, Inc.  
Arverne, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Joseph P. Addabbo Family Health Center, Inc. (the "Center") which comprise of the balance sheet as of December 31, 2012 and the related statements of operations and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2013.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine 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 the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Directors  
The Joseph P. Addabbo Family  
Health Center, Inc.

**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.

A handwritten signature in black ink that reads "Baber Tilly Vichow Krouse, LLP". The signature is written in a cursive, flowing style.

Melville, New York  
September 26, 2013



formerly  
HOLTZ RUBENSTEIN REMINICK

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors  
The Joseph P. Addabbo Family  
Health Center, Inc.  
Arverne, New York

### **Report on Compliance for Each Major Program**

We have audited The Joseph P. Addabbo Family Health Center, Inc. (the "Center") compliance with the types of compliance requirements described in the OMB Circular A-133, "*Compliance Supplement*" that could have a direct and material effect on the Center's major federal programs for the year ended December 31, 2012. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "*Audits of States, Local Governments and Non-Profit Organizations*". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Basis for Qualified Opinion on the Consolidated Health Centers Program**

As described in the accompanying schedule of findings and questioned costs, the Center did not comply with the requirements regarding CFDA 93.224, Consolidated Health Centers Program as described in finding numbers 2012-1 for Program Income and 2012-2 for Reporting. Compliance with such requirements is necessary, in our opinion, for the Center to comply with the requirements applicable to that program.

Board of Directors  
The Joseph P. Addabbo Family  
Health Center, Inc.

### **Qualified Opinion on the Consolidated Health Centers Program**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Center complied, in all material aspects, with the types of compliance requirements referred to above that could have a direct and material effect on the Consolidated Health Centers Program for the year ended December 31, 2012.

### **Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors; results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2012.

### **Other Matters**

The Center's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2012-2 that we consider to be a significant deficiency.

The Center's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Baker Tilly Vichow Krause, LLP*

Melville, New York  
September 26, 2013

**THE JOSEPH P. ADDABBO FAMILY  
HEALTH CENTER, INC.**

**Schedule of Findings and Questioned Costs**

*Year Ended December 31, 2012*

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**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of Auditors' Report Issued: unqualified  
 Internal Control over Financial Reporting:  
   Material weakness(es) identified? \_\_\_\_\_ yes      X   no  
   Significant deficiency(ies) identified? \_\_\_\_\_ yes      X   none reported  
 Noncompliance Material to Financial Statements Noted? \_\_\_\_\_ yes      X   no

**Federal Awards**

Internal Control over Major Programs:  
   Material weakness(es) identified? \_\_\_\_\_ yes      X   no  
   Significant deficiency(ies) identified?   X   yes    \_\_\_\_\_ none reported  
 Type of Auditors' Report Issued on Compliance for Major Programs: Qualified  
 Any Audit Findings Disclosed that are Required to be Reported  
 in Accordance with Section 510(a) of OMB Circular A-133?   X   yes    \_\_\_\_\_ no

**Identification of Major Programs**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.557	United States Department of Agriculture: - Special Supplemental Food Program for Women, Infants and Children
93.918	United States Department of Health and Human Services: - Outpatient Early Intervention Services with Respect to HIV Disease
93.268	- Immunization Grant
	- Health Centers Cluster:
93.224	- Consolidated Health Centers Program
93.703	- ARRA - Capital Improvement Program ("CIP")

Dollar Threshold Used to Distinguish between  
 Type A and Type B Programs:   \$336,414  

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes      X   no

**Section II - Financial Statement Findings**

There are no financial statement findings in the current year.

**THE JOSEPH P. ADDABBO FAMILY  
HEALTH CENTER, INC.**

**Schedule of Findings and Questioned Costs (continued)**

*Year Ended December 31, 2012*

**Section III - Federal Award Findings and Questioned Costs**

**2012-1: Patient Billing**

**Identification of the Federal Program** - CFDA Number 93.224 - Consolidated Health Centers Program, federal award number H80CS00430-11-00, United States Department of Health and Human Services.

**Criteria or specific requirement** - In accordance with program requirements, the Center is required to collect (or make every reasonable effort to collect) appropriate reimbursement from third-party insurance providers. If the individual is uninsured, the Center must have a schedule of fees consistent with locally prevailing rates.

**Condition** - During our testing of the self-pay visits, we noted 1 out of 40 visits in which the patient was not charged the correct amount per the sliding fee scale.

**Questioned costs** - None.

**Cause** - The Center did not follow the applicable income guidelines for the program.

**Effect** - The Center did not bill the patient the full amount that was due per the sliding fee scale.

**Recommendation** - We recommend that management implement a review process in which an individual independent of the original billing reviews amounts billed to self-pay patients.

**Views of responsible officials and planned corrective actions** - Management agrees with this finding and has implemented further policies and procedures to ensure that all self-pay patients are charged the appropriate amount per the sliding fee scale.

**2012-2: Reporting**

**Identification of the Federal Program** - CFDA Number 93.224 - Consolidated Health Centers Program, federal award number H80CS00430-11-00, United States Department of Health and Human Services.

**Criteria or specific requirement** - In accordance with program requirements, the Center is required to complete an accurate Uniform Data System report.

**Condition** - During our testing of the Uniform Data System report, we noted that the underlying data did not agree with the amounts reported on the Uniform Data System report. We noted the following differences within the report:

	Amount Originally Reported	Amount per Underlying Data	Difference
Line 4(c) - Total Medical Care Services	\$ 20,725,650	\$ 21,298,422	\$ (572,772)
Line 10(c) - Total Other Clinical Services	7,887,974	8,133,867	(245,893)
Line 13(c) - Total Enabling and Other Clinical Services	3,727,623	3,754,440	(26,817)
Line 16 - Total Overhead	8,467,784	9,271,768	(803,984)

**Table 8 Part A**

**THE JOSEPH P. ADDABBO FAMILY  
HEALTH CENTER, INC.**

**Schedule of Findings and Questioned Costs (continued)**

*Year Ended December 31, 2012*

**Section III - Federal Award Findings and Questioned Costs (continued)**

**2012-2: Reporting (continued)**

	Amount Originally Reported	Amount per Underlying Data	Difference
<b>Table 9 Part D</b>			
<b>Full Charges This Period:</b>			
Line 1 - Medicaid Non-Managed Care	\$ 4,545,152	\$ 9,168,337	\$ (4,623,185)
Line 2a - Medicaid Managed Care (capitated)	17,425,297	9,307,262	8,118,035
Line 2b - Medicaid Managed Care (fee-for-service)	2,905,311	6,400,121	(3,494,810)
Line 13 - Self-Pay	6,705,995	4,244,175	2,461,820
<b>Amount Collected This Period:</b>			
Line 2a - Medicaid Managed Care (capitated)	14,677,647	14,356,894	320,753
Line 2b - Medicaid Managed Care (fee-for-service)	2,844,953	2,660,364	184,589
Line 13 - Self-Pay	3,056,233	594,412	2,461,821
<b>Retroactive Settlements, Receipts and Paybacks:</b>			
Line 2a - Medicaid Managed Care (capitated)	10,454,547	10,488,106	(33,559)
<b>Allowances:</b>			
Line 2a - Medicaid Managed Care (capitated)	2,747,650	851,495	1,896,155
Line 2b - Medicaid Managed Care (fee-for-service)	214,497	585,529	(371,032)
<b>Sliding Discounts:</b>			
Line 13 - Self-Pay	2,927,683	3,474,091	(546,408)
<b>Bad Debt Write-Off:</b>			
Line 1 - Medicaid Non-Managed Care	-	64,440	(64,440)
Line 2b - Medicaid Managed Care (fee-for-service)	-	150,361	(150,361)
Line 10 - Private Non-Managed Care	-	407,410	(407,410)
Line 13 - Self-Pay	934,747	175,672	759,075

**THE JOSEPH P. ADDABBO FAMILY  
HEALTH CENTER, INC.**

**Schedule of Findings and Questioned Costs (continued)**

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*Year Ended December 31, 2011*

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**Section III - Federal Award Findings and Questioned Costs (continued)**

**2012-2: Reporting (continued)**

*Questioned costs* - None.

*Cause* - The Center did not fully complete the year end closing of the accounting records prior to the due date of the Uniform Data System report.

*Effect* - Data reported on the Uniform Data System report for the year ended December 31, 2012 was not the final adjusted data.

*Recommendation* - We recommend that management finalize the accounting records prior to completing the Uniform Data System report.

*Views of responsible officials and planned corrective actions* - Management agrees with this finding and has implemented further policies and procedures to ensure reporting will be completed accurately in the future. Management would also like it noted that it is September 26, 2013 and we are not in possession of a finalized copy of our audit for calendar year 2012. Just as it is difficult for our auditors to complete a certified audit in nine months, it is difficult for management to close the year's accounting records and complete the UDS report in 45 days (by February 15th).

**THE JOSEPH P. ADDABBO FAMILY  
HEALTH CENTER, INC.**

**Summary Schedule of Prior Year's Audit Findings**

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*Year Ended December 31, 2012*

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**2011-1: Accounts Receivable**

*Condition* - The patient services receivable balances per the unadjusted trial balance were understated by \$1,138,938.

*Criteria* - Internal controls should be in place to ensure that patient service revenue and receivables are properly stated.

*Current status* - During 2012, the Center corrected this finding.

**2011-2: Patient Billing**

*Identification of the Federal Program* - CFDA Number 93.224 - Consolidated Health Centers Program, federal award number H80CS00430-10-04, United States Department of Health and Human Services.

*Criteria or specific requirement* - In accordance with program requirements, the Center must have a schedule of fees consistent with locally prevailing rates.

*Condition* - During our testing of the self-pay visits, we noted 1 out of 40 encounters in which the patient had insurance coverage, but the Center did not verify insurance coverage and did not attempt to recover payment from the patient's insurance company. Therefore, the Center charged the patient as a self-pay patient.

*Current status* - During 2011, the Center corrected this finding.

**2011-3: Reporting**

*Identification of the Federal Program* - CFDA Number 93.224 - Consolidated Health Centers Program, federal award number H80CS00430-10-04, United States Department of Health and Human Services.

*Criteria or specific requirement* - In accordance with program requirements, the Center is required to complete an accurate Uniform Data System Report.

*Condition* - During our testing of the Uniform Data System report, we noted that the underlying data did not agree with the amounts reported on the Uniform Data System report.

*Current status* - This finding was not corrected in the current year. See 2012-2.



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## **A-133 Audit for 2012, Corrective Action Plan on Federal Award Findings**

The Joseph P. Addabbo Family Health Center will address the two (2) audit findings in our A-133 Audit for 2012 in the following manner.

### **2012-1: Patient Billing**

**Condition** – During the Auditor's testing of the self-pay visits, they noted 1 out of the 40 visits in which the patient was not charged the correct amount per the sliding fee scale.

**Plan of Corrective Action:** The Center has updated the Center's policy to include a review by the Supervisor of all initial and yearly self-pay patient finance screening forms. The Supervisor's review will be documented by initials on the form that will be uploaded to the Center's practice management system with an alert for all subsequent clerical transactions indicating the appropriate fee to charge the patient under the sliding fee scale. Including the step of an alert and thorough review by the Supervisor will ensure to minimize clerical errors of applying the wrong fee to a patient under the sliding fee scale. The Center has furthermore updated its policy to require a triage by the nurse of all patients lacking proper documentation to verify income. The Center will then apply the courtesy \$45 visit only when it is determined that the patient is in need of same day medical care. If such medical care is necessary then the patient will be allowed to see the doctor with a courtesy payment of \$45 on initial visit. If such medical care is not necessary, the clerk will reschedule the patient for the next available appointment on another day when they can provide proof of income. All courtesy fees will be reviewed and approved by the Administrative Clinic Manager (ACM). The clerk is responsible to document payment at each visit to establish a history of payment and to indicate if a courtesy fee was applied to a visit. The Center's forms were updated to accommodate the new layers of reviews that were added to the policy.

### **2012-2: Reporting**

**Condition** – During the Auditor's testing of the Uniform Data System report, they noted that General Ledger data did not agree with the amounts reported on the UDS Report.

**Plan of Corrective Action:** Many of the variances have resulted from adjustments made subsequent to the submission of the UDS report. All of the material Variances effect table 9D and are related to the valuation of Gross charges, Contract Allowances, Sliding Fee Scale adjustments, Wrap Around payments and Bad Debts. As we update and enhance our PMS it will facilitate finalizing the accounting records prior to the completing of the UDS report. Management agrees with this finding and has implemented further policies and procedures to ensure reporting will be completed accurately in the future.

  
Maria Imelda S. Mamba  
Acting Chief Financial Officer  
September 26, 2013