



**Anchorage Neighborhood Health
Center, Inc.**

**Financial Statements and Supplementary
Information**

Years Ended June 30, 2014 and 2013

(With Independent Auditor's Report Thereon)

Anchorage Neighborhood Health Center, Inc.

Financial Statements and Supplementary Information
Years Ended June 30, 2014 and 2013

(With Independent Auditor's Report Thereon)

Anchorage Neighborhood Health Center, Inc.

Contents

	Page
Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statements of Cash Flows	6
Notes to Financial Statements	7-14
Supplementary Schedules	
State of Alaska, Department of Health and Social Services Programs	
Schedule 1 - Community Health Centers Program - Grant No. 601-14-220	16
Schedule 2 - Human Services Community Matching Grant	17



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3601 C Street, Suite 600
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Independent Auditor's Report

Board of Directors
Anchorage Neighborhood Health Center, Inc.
Anchorage, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of Anchorage Neighborhood Health Center, Inc. (ANHC), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, 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.

Auditor's 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ANHC as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information 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 October 27, 2014 on our consideration of ANHC'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 ANHC's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
October 27, 2014

Financial Statements

Anchorage Neighborhood Health Center, Inc.
Statements of Financial Position

<i>June 30,</i>	2014	2013
Assets		
Current Assets		
Cash and cash equivalents:		
Unrestricted cash	\$ 3,443,633	\$ 2,805,332
Restricted cash	258,432	307,279
Total cash and cash equivalents	3,702,065	3,112,611
Patient accounts receivable, net of allowance for doubtful accounts of \$1,805,626 for 2014 and \$1,310,381 for 2013 (note 3)	2,169,703	1,649,094
Receivable from funding agencies	223,984	575,264
Pledges receivable	14,467	66,055
Inventory	187,691	158,036
Prepaid expenses and other current assets	259,233	73,566
Total Current Assets	6,557,143	5,634,626
Property and Equipment		
Land and land improvements	4,956,581	4,956,581
Buildings	19,266,532	19,258,545
Equipment and furniture	5,494,744	5,423,171
Total property and equipment	29,717,857	29,638,297
Less accumulated depreciation	2,887,291	1,807,552
Net Property and Equipment	26,830,566	27,830,745
Total Assets	\$ 33,387,709	\$ 33,465,371
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 262,374	\$ 320,436
Accrued payroll and related liabilities	415,530	369,229
Accrued annual leave	320,875	368,795
Deferred revenue	14,157	-
Total Current Liabilities	1,012,936	1,058,460
Net Assets		
Unrestricted:		
Designated:		
Facility replacement	1,232,000	1,232,000
Invested in property and equipment	26,830,566	27,830,745
Capital campaign	14,466	122,815
Operating	1,236,747	1,152,531
Undesignated	3,039,669	1,931,141
	32,353,448	32,269,232
Temporarily restricted (note 6)	21,325	137,679
Total Net Assets	32,374,773	32,406,911
Total Liabilities and Net Assets	\$ 33,387,709	\$ 33,465,371

See accompanying notes to financial statements.

Anchorage Neighborhood Health Center, Inc.

Statements of Activities

<i>Years ended June 30,</i>	2014	2013
Changes in Unrestricted Net Assets		
Revenue:		
Patient service revenue	\$ 20,493,110	\$ 19,291,333
Contractual allowances and discounts	(11,281,464)	(10,824,849)
Provision for bad debts	(531,683)	(502,726)
Net patient service revenue (notes 3 and 9)	8,679,963	7,963,758
Grant revenue	4,388,711	4,345,885
Contract revenue	289,646	245,647
Support:		
Donations	141,259	84,349
Net assets released from restrictions for operations (note 6)	71,624	87,814
Total revenue and support	13,571,203	12,727,453
Expenses:		
Salaries, wages, and benefits	9,703,763	9,640,721
Supplies	1,061,754	960,022
Depreciation	1,113,446	874,806
General and administrative	707,656	733,332
Purchased services	634,157	704,363
Occupancy and use	247,297	239,269
Insurance	98,449	97,836
Total expenses	13,566,522	13,250,349
Income (loss) from operations	4,681	(522,896)
Nonoperating support and revenue:		
Grant revenue	-	2,610,119
Donated property and equipment	21,988	-
Net assets released from restriction for capital acquisitions (note 6)	51,588	693,308
Interest income	4,374	7,975
Commission	-	40,586
Gain (loss) on disposal of assets	(1,459)	438,462
Other	3,044	4,843
Total nonoperating income	79,535	3,795,293
Increase in Unrestricted Net Assets	84,216	3,272,397
Changes in Temporarily Restricted Net Assets		
Contributions (note 6)	6,858	368,832
Net assets released from restrictions (note 6)	(123,212)	(781,122)
Decrease in Temporarily Restricted Net Assets	(116,354)	(412,290)
Change in Net Assets	(32,138)	2,860,107
Net Assets at beginning of year	32,406,911	29,546,804
Net Assets at end of year	\$ 32,374,773	\$ 32,406,911

See accompanying notes to financial statements.

Anchorage Neighborhood Health Center, Inc.

Statements of Cash Flows

<i>Years ended June 30,</i>	2014	2013
Cash Flows from Operating Activities		
Cash received from patients and third party payers	\$ 8,159,354	\$ 7,480,809
Cash received from grantors and contributors for operations	4,931,911	4,445,759
Cash received from other activities	3,044	261,229
Cash paid to employees and suppliers	(12,728,079)	(13,149,881)
Interest received	4,374	7,975
Net cash from (for) operating activities	370,604	(954,109)
Cash Flows from Investing Activities		
Proceeds from the sale of property and equipment	800	1,584,025
Cash paid for acquisition of property and equipment	(93,538)	(3,492,444)
Net cash for investing activities	(92,738)	(1,908,419)
Cash Flows from Financing Activities		
Cash received for capital acquisitions	311,588	3,487,874
Net Increase in Cash	589,454	625,346
Cash and Cash Equivalents, beginning of year	3,112,611	2,487,265
Cash and Cash Equivalents, end of year	\$ 3,702,065	\$ 3,112,611
Components of Cash and Cash Equivalents		
Unrestricted cash	\$ 3,443,633	\$ 2,805,332
Restricted cash	258,432	307,279
Total Components of Cash and Cash Equivalents	\$ 3,702,065	\$ 3,112,611
Reconciliation of Change in Net Assets to Net Cash from (for) Operating Activities		
Change in net assets	\$ (32,138)	\$ 2,860,107
Adjustments to reconcile change in net assets to cash from (for) operating activities:		
Depreciation	1,113,446	874,806
Bad debt expense	531,683	502,726
In-kind donations	(21,988)	-
(Gain) loss on disposal of assets	1,459	(438,462)
Changes in assets and liabilities that provided (used) cash:		
Patient accounts receivable	(1,052,292)	(1,063,008)
Accounts receivable from funding agencies	351,280	472,089
Inventory	(29,655)	(108,664)
Pledged contributions receivable	51,588	45,323
Prepaid and other current assets	(185,667)	(2,777)
Accounts payable	(58,062)	(698,495)
Accrued payroll and related liabilities	46,301	48,454
Accrued annual leave	(47,920)	41,666
Deferred revenue	14,157	-
Cash received for long-term purposes	(311,588)	(3,487,874)
Net Cash from (for) Operating Activities	\$ 370,604	\$ (954,109)

See accompanying notes to financial statements.

Anchorage Neighborhood Health Center, Inc.

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies

Description of Business

The Anchorage Neighborhood Health Center, Inc. (ANHC) is a non-profit corporation organized to provide comprehensive primary medical care, dental care, and related health care services responsive to the needs of the Anchorage community, especially to those persons who may lack access to these services because of financial, language, lifestyle, health status, or cultural barriers. ANHC is a U.S. Public Health Service Act Community Health Center in the State of Alaska and has provided medical services since 1974.

Basis of Presentation

Financial statement presentation follows the recommendations of the American Institute of Certified Public Accountants in its Audit and Accounting Guide, Health Care Organizations.

Cash and Cash Equivalents

ANHC considers all highly liquid investments, generally those purchased with an original maturity of three months or less, to be cash equivalents.

Inventory

Inventory, consisting primarily of medical supplies and pharmaceuticals, is stated at the lower of cost or market. Cost is determined on the first-in, first-out method.

Property and Equipment

Property acquired is considered to be owned by ANHC. However, the funding sources have a reversionary interest in the property and may determine or restrict use of any proceeds from sale of those assets.

Depreciation of all property and equipment is computed on a straight-line basis over the estimated service lives of the assets, which are 40 years for buildings, 10 to 25 for land improvements, 5 to 10 years for furniture, fixtures, and other equipment, and 3 to 5 years for technological assets. Depreciation on grant-funded assets is not an allowable expenditure for federal grants.

Statements of Activities

For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains or losses.

Net Patient Service Revenue

Patient accounts receivables are recorded at the invoiced amount net of any sliding fee discounts which are known at the time of service. Third party accounts receivable are recorded at the invoiced amount net of any contractual adjustments arising from Medicare and Medicaid Federally Qualified Health Center (FQHC) prospective rates known at the time of service. Private insurance third party receivables are recorded at the invoiced amount as the contractual adjustment is not known at the time of service but at the time of payment.

Anchorage Neighborhood Health Center, Inc.

Notes to Financial Statements

The allowance for doubtful accounts and contractual allowances is ANHC's best estimate of the amount of probable credit losses in existing accounts receivable from patients and third party payers, respectively. ANHC determines the allowance based on its historical write-off and contractual adjustments experience and current economic conditions and contractual provisions for each pool of receivables. ANHC reviews its allowance for doubtful accounts monthly. All account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Grant Revenue

ANHC is partially funded by grants from the U.S. Department of Health and Human Services and the U.S. Department of Agriculture. Other funding sources contain local grants, including United Way and the State of Alaska. Grant revenues are recognized in accordance with the terms of the grant agreements. Deferred revenues represent excess of receipts over expenses.

Contributions

Contributions are recorded as temporarily restricted based on the existence of donor restrictions as to use or time. Upon the satisfaction of these restrictions, either by expending or utilizing the contributions for the restricted purpose or by the passage of time, the contributions are released from restriction and included as a component of unrestricted revenues. Donor restricted contributions including grant awards whose restrictions are met in the same year are reported as unrestricted support.

Income Taxes

ANHC is a non-profit organization as described under Section 501 (c)(3) of the Internal Revenue Code (Code), and is exempt from federal income taxes under Section 501 (a) of the Code. ANHC applies the provisions of Topic 740 of the FASB Accounting Standards Codification relating to accounting for uncertainty in income taxes and annually reviews its positions taken in accordance with the recognition standards. ANHC believes that it has no uncertain tax positions which require disclosure in or adjustment to these financial statements.

Reclassifications

Certain reclassifications have been made to the 2013 amounts to conform to the 2014 presentation. These reclassifications had no effect on net assets or change in net assets as of and for the year ended June 30, 2013.

Anchorage Neighborhood Health Center, Inc.

Notes to Financial Statements

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements. Significant estimates include the allowance for doubtful accounts (note 3).

Fair Value Measurements

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Included in investment related line items in the financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, that is, other than in a forced liquidation or distress sale.

The Organization's financial assets and liabilities carried at fair value have been classified based on a hierarchy defined by ASC 820. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 - Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices.

Level 3 - Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Anchorage Neighborhood Health Center, Inc.

Notes to Financial Statements

2. Cash and cash equivalents

As of June 30, 2014 and 2013, cash and cash equivalents consisted of the following:

<i>June 30, 2014</i>	Book Balance	Bank Balance
Cash accounts	\$ 3,451,168	\$ 3,461,902
Petty cash	3,450	-
Cash at 501 (c) Agencies Trust	247,447	247,477
	\$ 3,702,065	\$ 3,709,349

<i>June 30, 2013</i>	Book Balance	Bank Balance
Cash accounts	\$ 2,892,110	\$ 2,890,189
Petty cash	3,150	-
Cash at 501 (c) Agencies Trust	217,351	217,351
	\$ 3,112,611	\$ 3,107,540

As of June 30, 2014 and 2013, restricted cash and cash equivalents consisted of the following:

<i>June 30,</i>	2014	2013
Cafeteria plan	\$ 10,985	\$ 10,854
Ride for Life Alaska	-	58,184
Cash at 501 (c) Agencies Trust	247,447	217,351
Capital Campaign	-	20,890
	\$ 258,432	\$ 307,279

The cash accounts maintained by the Federal Deposit Insurance Corporation (FDIC) insured institutions are insured by the FDIC for up to \$250,000 per financial institution. All federal credit unions and the vast majority of state-chartered credit unions are covered by NCUSIF insurance protection up to \$250,000. At June 30, 2014, \$750,000 of ANHC's funds were insured by FDIC and NCUSIF. The bank balances exceeded insured and collateralized amounts by \$2,959,349. At June 30, 2013, \$750,000 of ANHC's funds were insured by FDIC and NCUSIF. The bank balances exceeded insured and collateralized amounts by \$2,357,540.

501 (c) Agencies Trust is a national organization that manages and invests funds of non-profits that chose to opt out of the State unemployment insurance (SUI) and reimburse the state for unemployment claims instead of paying the state unemployment taxes. The funds that ANHC has with the 501 (c) Agencies Trust are considered to be restricted for the purpose of paying out future claims.

Anchorage Neighborhood Health Center, Inc.

Notes to Financial Statements

3. Accounts Receivable

Patient Accounts Receivable

Patient accounts receivable by payer source consist of the following:

<i>June 30,</i>	2014	2013
Medicaid	\$ 1,380,332	\$ 555,642
Medicare	209,156	259,242
Insurance	674,782	651,726
Patient self-pay	1,711,059	1,492,865
	3,975,329	2,959,475
Less allowances for contractual adjustments and doubtful accounts	1,805,626	1,310,381
	\$ 2,169,703	\$ 1,649,094

Third Party Settlements Receivable/Payable

ANHC's status as a federally funded Community Health Center makes it eligible for cost-based reimbursement for Medicare and Medicaid, and for consideration as a Federally Qualified Health Center (FQHC). The State of Alaska utilizes provisional rates for Medicaid reimbursements. ANHC's encounters reported to the State of Alaska for Medicaid reimbursement are subject to audit under the prospective payment system. Any disallowed encounter, including encounters that have been billed and collected, would become a liability of ANHC. The amount, if any, of adjustments to Medicaid revenue resulting from disallowed encounters during State of Alaska audits cannot be determined at this time. ANHC expects such disallowances, if any, to be immaterial.

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Anchorage Neighborhood Health Center, Inc.

Notes to Financial Statements

4. Promises to Give

Included under "Pledges Receivable" are the following unconditional promises to give:

<i>June 30,</i>	2014	2013
Unconditional promises to give before unamortized discounts -		
Capital Campaign	\$ 14,467	\$ 68,064
Less- unamortized discount	-	(2,009)
Net unconditional promises to give	\$ 14,467	\$ 66,055
Amounts due in:		
Less than one year	\$ 14,467	66,055
One to five years	-	-
More than five years	-	-
Total	\$ 14,467	\$ 66,055

Discount rates were estimated at 1 percent for 2014.

5. Credit Facilities

The company obtained a revolving line of credit at Wells Fargo Bank, with an original limit of \$1,500,000 on June 19, 2012, which was renewed July 5, 2013 and matures on July 5, 2014. The interest is accrued on unpaid outstanding principal balance of the credit at a floating rate equal to the index plus 0.500%. There was no outstanding balance on the line of credit at June 30, 2014 and the line of credit was not renewed upon maturity.

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Anchorage Neighborhood Health Center, Inc.

Notes to Financial Statements

6. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2014 and 2013 consist primarily of capital campaign contributions, and contributions from Ride for Life Alaska, which are available to provide health care services in the subsequent fiscal year. Net assets were released from donor restrictions by satisfying the time and/or use restriction for the contributions. Temporarily restricted net assets consisted of the following at June 30:

	United Way Charity Health Grant	Ride for Life	SOA DHSS Reproductive Health Partnership	Capital Campaign Pledges	Total
June 30, 2013	\$ 13,440	\$ 58,184	\$ -	\$ 66,055	\$ 137,679
Temporarily restricted contributions	-	-	6,858	-	6,858
Net assets released from restrictions	13,440	58,184	-	51,588	123,212
June 30, 2014	\$ -	\$ -	\$ 6,858	\$ 14,467	\$ 21,325

7. Employee Benefit Plans

Through June 30, 2005, ANHC had a Simplified Employee Pension Plan, which covered substantially all employees who worked three of the preceding five calendar years. Contributions were discretionary upon Board approval. Beginning July 1, 2005, ANHC began sponsoring a 403(b) plan in which it contributes 2% of employees' eligible wages. In addition, ANHC makes a matching contribution of one-half of employees' voluntary contributions up to 1% of employees' eligible wages. ANHC paid contributions to the plan of \$157,895 and \$151,161 for 2014 and 2013, respectively.

8. Charity Care

ANHC provides care to patients on a sliding fee basis. Sliding fee discounts are determined based on household size and gross monthly income according to the federal poverty guidelines. ANHC also provides services to the homeless and performs certain case management services on a charity care basis. ANHC management does not expect payment for these discounts, they are included in revenue and discounted with the contractual allowance. ANHC provided approximately \$7,557,863 and \$7,874,677 of charity care, when measured at ANHC's established rates for the years ended June 30, 2014 and 2013, respectively.

Anchorage Neighborhood Health Center, Inc.

Notes to Financial Statements

9. Functional Expenses

Expenses by major classes of program and supporting services are as follows for the year ended June 30:

<i>June 30,</i>	2014	2013
Healthcare services	\$ 6,919,170	\$ 6,991,647
Dental care services	1,996,346	1,827,367
Ancillary services	2,359,342	2,177,168
Outreach & Enrollment	96,745	-
General and administrative	2,165,731	2,148,361
Fundraising	29,188	105,806
	<hr/>	<hr/>
	\$ 13,566,522	\$ 13,250,349

10. Contingencies

Grant Expenditures

Accounts received or receivable from grantors are subject to audit and adjustment by the grantor agencies or their representatives. Any disallowed claims, including amounts already collected, would become a liability of ANHC. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time although ANHC expects such disallowances, if any, to be immaterial.

Malpractice Coverage

Effective June 23, 1996, the Bureau of Primary Health Care (BPHC), in accordance with Section 224(h) of the Public Health Service (PHS) Act, 42 U.S.C. 23(h) as amended by the Federally Supported Health Centers Assistance Act of 1995, was deemed to be an employee of the Federal Government for the purposes of providing liability protection under the Federal Tort Claims Act (FTCA). Section 224(a) provides liability protection under FTCA (FTCA coverage) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental and related functions. This FTCA coverage is applicable to deemed entities, including their officers, governing board members, employees and contractors who are physicians or other licensed or certified health care practitioners providing family practice, general internal medicine, general pediatrics or obstetrical/gynecological services. ANHC was deemed an entity subject to such FTCA coverage in July 1996. FTCA coverage is comparable to an "occurrence" policy without a monetary cap.

ANHC periodically provides certain services off-site that are not considered covered under the FTCA. Accordingly, effective February 1, 2014, ANHC obtained additional professional liability coverage for any claims outside the coverage and scope of the FTCA. Professional liability coverage is limited to \$1,000,000 per each claim and \$3,000,000 in the aggregate for all claims.

Supplementary Information

Anchorage Neighborhood Health Center, Inc.

State of Alaska, Department of Health and Social Services Programs

Community Health Centers Program - Grant No. 601-14-220

Schedule of Expenditures - Budget and Actual

<i>Year ended June 30, 2014</i>	Budget	Actual	Variance
Expenditures - personal services	\$ 241,012	\$ 241,012	\$ -

Anchorage Neighborhood Health Center, Inc.

State of Alaska, Department of Health and Social Services Programs
Passed through the Municipality of Anchorage
Human Services Community Matching Grant
Schedule of Expenditures - Budget and Actual

<i>Year ended June 30, 2014</i>	Budget	Actual	Variance
Expenditures			
Personal services	\$ 83,801	\$ 86,367	\$ (2,566)
Employee benefits	22,628	23,427	(799)
Professional fees	10,539	7,174	3,365
Supplies	1,270	1,270	-
Total Expenditures	\$ 118,238	\$ 118,238	\$ -



Anchorage Neighborhood Health Center, Inc.

Federal and State Financial Assistance
Reports
Year Ended June 30, 2014

Anchorage Neighborhood Health Center, Inc.

Federal and State Financial Assistance Reports
Year Ended June 30, 2014

Anchorage Neighborhood Health Center, Inc.

Contents

	Page
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	3-5
Independent Auditor's Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of State Financial Assistance as Required by <i>State of Alaska Audit Guide and Compliance Supplement for State Single Audits</i>	6-8
Schedule of Expenditures of Federal Awards	9
Schedule of State Financial Assistance	10
Schedule of Findings and Questioned Costs	11-12
Summary Schedule of Prior Audit Findings	13



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Independent Auditor's 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
Anchorage Neighborhood Health Center, Inc.
Anchorage, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Anchorage Neighborhood Health Center, Inc. (ANHC), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ANHC'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 ANHC's internal control. Accordingly, we do not express an opinion on the effectiveness of ANHC'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 ANHC'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*.

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 result 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.

BDO USA, LLP

Anchorage, Alaska
October 27, 2014



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Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Board of Directors
Anchorage Neighborhood Health Center, Inc.
Anchorage, Alaska

Report on Compliance for Each Major Federal Program

We have audited Anchorage Neighborhood Health Center, Inc.'s (ANHC) 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 each of ANHC's major federal programs for the year ended June 30, 2014. ANHC'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 each of ANHC'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 ANHC'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 ANHC's compliance.

Opinion on Each Major Federal Program

In our opinion, ANHC 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 major federal programs for the year ended June 30, 2014.

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Report on Internal Control Over Compliance

Management of ANHC 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 ANHC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 ANHC'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 program 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of ANHC as of and for the year ended June 30, 2014, and have issued our report thereon dated October 27, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

BDO USA, LLP

Anchorage, Alaska
October 27, 2014



**Independent Auditor's Report on Compliance for Each Major State Program;
Report on Internal Control Over Compliance; and Report on the Schedule of
State Financial Assistance as Required by *State of Alaska Audit Guide and
Compliance Supplement for State Single Audits***

Board of Directors
Anchorage Neighborhood Health Center, Inc.
Anchorage, Alaska

Report on Compliance for Each Major State Program

We have audited Anchorage Neighborhood Health Center, Inc.'s (ANHC) compliance with the types of compliance requirements described in the State of Alaska Audit Guide and Compliance Supplement for State Single Audits that could have a direct and material effect on each of ANHC's major state programs for the year ended June 30, 2014. ANHC's major state programs are identified in the accompanying schedule of state financial assistance.

Managements Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of ANHC's major state 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 *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and *State of Alaska Audit and Compliance Supplement for State Single Audits* 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 state program occurred. An audit included examining, on test basis, evidence about ANHC'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 state program. However, our audit does not provide a legal determination of ANHC's compliance.

Opinion on Each Major State Program

In our opinion, ANHC's 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 major state programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of ANHC 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 ANHC's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, 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 ANHC'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 state 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 state program 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 state 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of State Financial Assistance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

We have audited the financial statements of ANHC as of and for the year ended June 30, 2014, and have issued our report thereon dated October 27, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of State Financial Assistance is presented for purposes of additional analysis as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, 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 Schedule of State Financial Assistance is fairly stated in all material respects in relation to the financial statements as a whole.

BDO USA, LLP

Anchorage, Alaska
October 27, 2014

Anchorage Neighborhood Health Center, Inc.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Grant Number	Period of Award	Award Amount	Federal Share of Expend- itures
Department of Health and Human Services:					
Direct programs:					
Consolidated Health Centers					
FY 2012/2013	93.224	6-H80CS00146-12-06	12/01/12-11/30/13	\$ 1,888,693	\$ 827,731
FY 2013/2014	93.224	6-H80CS00146-13-03	12/01/13-11/30/14	1,587,322	<u>925,939</u>
Total Consolidated Health Centers					<u>1,753,670</u>
Affordable Care Act Health Center Program					
FY 2012/2013	93.527	6-H80CS00146-12-06	12/01/12-11/30/13	1,418,148	593,912
FY 2013/2014	93.527	6-H80CS00146-13-03	12/01/13-11/30/14	1,587,322	<u>925,939</u>
Total ACA Health Center Program					<u>1,519,851</u>
Grants to Provide Outpatient Early Intervention					
Services with Respect to HIV Disease - Ryan White					
Early Intervention Services with Respect to HIV Disease	93.918	6-H76HA00196-22-02	7/1/2013-4/30/2014	300,212	237,993
Early Intervention Services with Respect to HIV Disease	93.918	6-H76HA00196-23-01	5/1/2014-4/30/2015	360,254	<u>53,077</u>
Total Services with Respect to HIV Disease					<u>291,070</u>
Total Direct Programs					<u>3,564,591</u>
Passed through the State of Alaska,					
Department of Health and Social Services:					
Health Information Technology Regional Extension Centers	93.718	90RC0050	4/5/2010-4/4/2014	52,308	<u>51,120</u>
Total Expenditures of Federal Awards					<u>\$ 3,615,711</u>

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Anchorage Neighborhood Health Center, Inc. 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*.

Anchorage Neighborhood Health Center, Inc.

Schedule of State Financial Assistance

Year Ended June 30, 2014

State Program Title	Grant Number	Period of Award	Award Amount	State Share of Expenditures
Department of Commerce, Community and Economic Development:				
* Interim Patient Access and Mobility	14-DC-169	7/1/2013-6/30/2018	\$ 90,000	<u>\$ 90,000</u>
Department of Health and Social Services:				
* Community Health Centers Program	601-14-220	7/1/2013-6/30/2014	241,012	241,012
Passed through Municipality of Anchorage -				
* Human Services Community Matching	HSMG 14-ANHC	7/1/2013-6/30/2014	118,238	<u>118,238</u>
Total Department of Health and Social Services				<u>359,250</u>
Alaska Mental Health Trust Authority:				
* Impact Depression Care Grant	2257.04	7/1/2013-6/30/2014	165,768	59,180
ANHC Dental Grant	2002.04	7/1/2012-9/30/2013	80,000	4,790
* ANHC Dental Grant	2002.05	7/1/2013-6/30/2014	80,000	80,000
Total Alaska Mental Health Trust Authority				<u>143,970</u>
Total State Financial Assistance				<u>\$ 593,220</u>

* Denotes a major program

Note 1: Basis of Presentation

The accompanying schedule of state financial assistance includes the State of Alaska grant activity for Anchorage Neighborhood Health Center, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

Anchorage Neighborhood Health Center, Inc.

Schedule of Findings and Questioned Costs Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> (none reported)
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal Financial Assistance

Internal control over major programs:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> (none reported)
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Identification of major programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
	Department of Health and Human Services - Health Centers Cluster:
93.224	Consolidated Health Centers
93.527	Affordable Care Act Health Center Program

Dollar threshold used to distinguish between a major federal program: \$ 300,000

Auditee qualified as low-risk auditee? yes no

State Financial Assistance

Internal control over major programs:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> (none reported)

Anchorage Neighborhood Health Center, Inc.

Schedule of Findings and Questioned Costs Year Ended June 30, 2014

Type of auditor's report issued on compliance for
major programs: Unmodified

Dollar threshold used to distinguish between a major state program: \$ 50,000

Section II - Financial Statement Findings Required to be Reported in Accordance with <i>Governmental Auditing Standards</i>
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None noted.

Section III - Federal Award Findings and Questioned Costs
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None noted.

Section IV - State Award Findings and Questioned Costs

None noted.

Anchorage Neighborhood Health Center, Inc.

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014**

There were no prior year audit findings reported.