

Borinquen Health Care Center, Inc.

**Financial Report in Accordance with
Government Auditing Standards and
OMB Circular A-133**

January 31, 2012

Borinquen Health Care Center, Inc.
Financial Report

Borinquen Health Care Center, Inc.

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Independent Auditors' Report

The Board of Directors
Borinquen Health Care Center, Inc.
Miami, Florida

We have audited the accompanying balance sheet of Borinquen Health Care Center, Inc. (the "Organization") as of January 31, 2012 and the related statements of operations and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of January 31, 2012, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2012, on our consideration of the Organization'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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

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applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements taken as a whole.

July 30, 2012

BDO USA, LLP

Certified Public Accountants

Borinquen Health Care Center, Inc.

Balance Sheet

January 31, 2012

Assets		
Current assets:		
Cash	\$	929,814
Patient services receivable, net (Note 3)		399,078
Grants receivable and other contract services (Note 4)		580,862
Prepaid and other assets		142,943
Assets limited to use (Note 2)		1,184,131
<hr/>		
Total current assets		3,236,828
Property and equipment, net (Note 5)		5,225,401
Investment, at cost (Note 6)		278,750
<hr/>		
Total assets	\$	8,740,979
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Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$	399,886
Accrued compensation		485,372
Current maturities of long-term debt (Note 7)		116,418
<hr/>		
Total current liabilities		1,001,676
Long-term debt (Note 7)		2,290,691
<hr/>		
Total liabilities		3,292,367
Commitments and Contingencies (Notes 5 and 12)		
Net assets		
Unrestricted		4,264,481
Temporarily restricted		1,184,131
<hr/>		
Total net assets		5,448,612
<hr/>		
Total liabilities and net assets	\$	8,740,979
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See Notes to Financial Statements

Borinquen Health Care Center, Inc.

Statement of Operations and Changes in Net Assets

<i>Year ended January 31,</i>	<i>2012</i>
Changes in Unrestricted Net Assets:	
Revenue:	
DHHS grants (Note 8)	\$ 5,055,539
Patient services, net (Note 9)	6,662,990
Contract services and other grants (Note 10)	1,623,103
Other	667,934
Net assets released from restrictions (Note 2)	117,000
Total revenue	14,126,566
Expenses:	
Salaries and benefits	9,426,915
Other than personnel services	3,566,911
Interest	183,915
Provision for bad debts	200,425
Total expenses	13,378,166
Operating income prior to depreciation	748,400
Depreciation	573,946
Operating income	174,454
Nonoperating revenue:	
DHHS grants (Note 8)	539,242
Contract services and other grants (Note 10)	76,650
Other	32,484
Net assets released from restrictions (Note 2)	198,869
Total nonoperating revenue	847,245
Increase in unrestricted net assets	1,021,699
Unrestricted net assets, beginning of year	3,242,782
Unrestricted net assets, end of year	\$ 4,264,481

See Notes to Financial Statements

Borinquen Health Care Center, Inc.

Statement of Operations and Changes in Net Assets - Continued

Changes in Temporarily Restricted Net Assets:

State of Florida Medicaid Low Income Pool payment	\$ 1,500,000
Net assets released from restrictions	<u>(315,869)</u>
Increase in temporarily restricted net assets	1,184,131
Temporarily restricted net assets, beginning of year	<u>-</u>
Temporarily restricted net assets, end of year	1,184,131
Changes in net assets	2,205,830
Net assets, beginning of year	<u>3,242,782</u>
Net assets, end of year	<u>\$ 5,448,612</u>

See Notes to Financial Statements

Borinquen Health Care Center, Inc.

Statement of Functional Expenses

<i>Year ended January 31, 2012</i>	Program Services	General and Administrative	Total
Salaries and wages	\$ 6,529,486	\$ 1,589,602	\$ 8,119,088
Fringe benefits	1,056,430	257,188	1,313,618
Healthcare consultant	380,202	-	380,202
Consultants and contractual services	30,000	122,468	152,468
Professional fees	210,205	230,209	440,414
Consumable supplies	634,279	33,019	667,298
Space costs	482,985	36,354	519,339
Insurance	111,642	21,265	132,907
Repairs and maintenance	144,720	10,893	155,613
Equipment rental	169,625	4,630	174,255
Telephone	163,867	12,334	176,201
Travel, conferences and meetings	125,025	36,789	161,814
Dues and subscriptions	207,137	7,182	214,319
Interest	158,715	25,200	183,915
Printing, publications and postage	34,867	21,807	56,674
Provision for bad debts	200,425	-	200,425
Other	76,922	252,694	329,616
Subtotal	10,716,532	2,661,634	13,378,166
Depreciation	533,770	40,176	573,946
Total functional expenses	\$ 11,250,302	\$ 2,701,810	\$ 13,952,112

See Notes to Financial Statements

Borinquen Health Care Center, Inc.

Statement of Cash Flows

<i>Year ended January 31,</i>	2012
Cash flows from operating activities:	
Cash received from DHHS grants	\$ 5,594,781
Cash received from patient services	6,726,099
Cash received from contract services and other grants	1,464,514
Cash received from other	1,018,425
Cash paid for personnel costs	(9,241,149)
Cash paid for operations	(3,869,655)
Cash paid for interest	(183,915)
Net cash provided by operating activities	1,509,100
Cash used in investing activity - purchase of property and equipment	(1,147,509)
Cash used in financing activity - principal payments of long-term debt	(57,216)
Net increase in cash	304,375
Cash:	
Beginning of year	625,439
End of year	\$ 929,814
Reconciliation of change in net assets to net cash provided by operating activities:	
Changes in net assets	\$ 2,205,830
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	573,946
Provision for bad debts	200,425
Changes in operating assets and liabilities:	
Decrease in patient services receivable	63,110
Increase in contract services and other grants receivable	(268,515)
Decrease in prepaid and other assets	3,526
Increase in assets limited to use	(1,184,131)
Decrease in accounts payable and accrued expenses	(256,637)
Increase in accrued compensation	185,766
Decrease in other liabilities	(14,220)
Total adjustments	(696,730)
Net cash provided by operating activities	\$ 1,509,100

See Notes to Financial Statements

Borinquen Health Care Center, Inc.

Notes to Financial Statements

Note 1. Organization

Borinquen Health Care Center, Inc. (the "Organization") is a not-for-profit organization incorporated in the State of Florida for the purpose of providing readily accessible primary healthcare services to the indigent population of Miami-Dade County, Florida.

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

Note 2. Significant Accounting Policies

Financial Statements Presentation

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.

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporary restricted, and unrestricted, be displayed in a balance sheet or statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

- (i) **Permanently Restricted** - Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.
- (ii) **Temporary Restricted** - Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations and changes in net assets.
- (iii) **Unrestricted** - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

Cash and cash equivalents

The Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Borinquen Health Care Center, Inc.

Notes to Financial Statements

Patient services receivable

Patient services receivable are reported at their outstanding unpaid principal balances reduced by an allowance for doubtful accounts. The Organization estimates doubtful accounts based on historical bad debts, factors related to specific payors' ability to pay and current economic trends. The Organization writes off accounts receivable against the allowance when a balance is determined to be uncollectible. Recoveries of accounts previously written off are recorded when received.

Property and equipment

Property and equipment is recorded at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets ranging from 4 to 25 years. The Organization capitalizes all purchases of property and equipment in excess of \$500.

Revenue recognition

Contributions are recorded 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 net assets are reclassified to unrestricted net assets and reported in the statement 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. Temporarily restricted contributions are discussed below. There were no permanently restricted contributions during the year ended January 31, 2012.

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 grantor's 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. At January 31, 2012, the Organization has received grants and contracts from governmental entities in the aggregate amount of approximately \$774,000 that have not been recorded in these financial statements as the amounts have not been earned. These grants and contracts require the Organization 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.

Interest earned on federal funds is recorded as a payable to the Public Health Service (the "PHS") in compliance with Office of Management and Budget (OMB) Circular A-110. There were no amounts due as of January 31, 2012.

Temporarily Restricted Net Assets

During the year ended January 31, 2012, the Organization received \$1,500,000 in cash from the State of Florida Medicaid Low Income Pool, which included \$335,000 in matching funds from Miami-Dade County, to fund capital improvements at its main clinic and new clinic as well as for

Borinquen Health Care Center, Inc.

Notes to Financial Statements

other capital and operating expenses. This represents a temporarily restricted contribution due to the donor imposed stipulations. As of January 31, 2012, the Organization had spent approximately \$316,000 of these funds, primarily for capital improvements and operating expenses at the new clinic. Of these amounts, approximately \$117,000 is reflected as net assets released from restrictions in operating revenue and \$198,000 is reflected as net assets released from restrictions in non-operating revenue in the accompanying statement of operations and changes in net assets.

The remaining balance of approximately \$1,184,000 is reflected as Assets limited to use and temporarily restricted net assets as of January 31, 2012 in the accompanying balance sheet.

Organization

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

Income taxes

The Organization complies with the accounting standard on accounting for uncertainty in income taxes, codified in Accounting Standards Codification ("ASC") 740, *Income Taxes*, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2008, which is the standard statute of limitations look-back period.

Fair value of financial instruments

The Organization complies with ASC 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. ASC 820 applies to all assets and liabilities that are measured and reported on a fair value basis.

Borinquen Health Care Center, Inc.

Notes to Financial Statements

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1: Inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access
- Level 2: Inputs utilize data points that are observable such as quoted prices, interest rates and yield curves
- Level 3: Inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability

The Organization's financial instruments consist principally of cash, receivables, investment, accounts payable, accruals, and long-term debt. The carrying amounts of such financial instruments approximate their estimated fair values as of January 31, 2012.

Subsequent events

The Organization evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are issued, which was July 30, 2012 for these financial statements.

Note 3. Patient Services Receivable, Net

Patient services receivable, net, at January 31, 2012 consist of the following:

Medicaid	\$	484,838
Medicare		85,144
Self-pay		629,585
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Subtotal		1,199,567
Less allowance for doubtful accounts		(800,489)
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Total	\$	399,078

Borinquen Health Care Center, Inc.

Notes to Financial Statements

Note 4. Grants Receivable and Other Contract Services

As of January 31, 2012, grants receivable and other contract services consist of:

Healthy Start	\$	35,325
Targeted Outreach for Pregnant Women (TOPWA)		23,334
Expanded Testing Initiative / HIV Testing		14,921
Medicaid/Medicare Meaningful Use		79,750
Emergency Relief Grant		65,511
Public Health Trust Dade County, South Florida AIDS Network		7,598
Health Connect in Our Schools		61,870
Medicaid Wrap Around		248,941
Other		43,612
<hr/>		
Total	\$	580,862

Note 5. Property and Equipment

As of January 31, 2012, property and equipment, net, consists of the following:

Land	\$	240,000
Building and improvements		6,763,931
Furniture and equipment		2,853,135
Vehicles		257,953
Construction-in-progress		73,359
<hr/>		
		10,188,378
Less accumulated depreciation		(4,962,977)
<hr/>		
	\$	5,225,401

In the event the DHHS grants are terminated, DHHS reserves the right to transfer all property and equipment purchased with grant funds to the Public Health Services ("PHS") or third parties.

The Organization has commitments totaling approximately \$426,000, as of January 31, 2012, to complete the construction - in - progress.

Note 6. Investment

The Organization has a less than five percent member interest in a for-profit limited liability company, Prestige Health Choice, LLC ("PHC"). PHC commenced operations during its fiscal year ended December 31, 2007. PHC is a managed care organization that has been authorized by the State of Florida and is owned by Health Choice Network, Inc. The Organization has purchased an interest in PHC in order to be eligible to participate in the managed care organization upon its evolution. The Organization's investment in PHC as of January 31, 2012 amounts to \$278,750, which is recorded at cost.

Borinquen Health Care Center, Inc.

Notes to Financial Statements

Note 7. Long-Term Debt

Long-term debt as of January 31, 2012 consists of the following:

The Organization refinanced its mortgage loan of \$2,000,000 in November 2008 for \$2,460,000. The maturity date of the loan is November 28, 2018, and the loan is payable in monthly installments of \$16,996 with a fixed rate of interest of 6.75%. The financial institution holding the loan has a first mortgage on the related property, which is subject to a DHHS reversionary interest.	\$ 2,326,583
The Organization entered into a noninterest-bearing note payable during the year ended January 31, 2009 in the amount of \$120,000 with the Health Foundation of South Florida. The note is payable in 24 monthly installments of \$5,000 starting November 1, 2011. The Organization's interest in PHC is pledged as collateral for the note payable.	72,500
Other	8,026
	<u>2,407,109</u>
Less current maturities	116,418
Long-term portion	<u>\$ 2,290,691</u>

The aggregate amount of principal payments on long-term debt during the years following January 31, 2012 is as follows:

Year ending January 31,

2013	\$ 116,418
2014	64,261
2015	55,365
2016	59,220
2017	63,343
Thereafter	2,048,502
	<u>\$ 2,407,109</u>

Borinquen Health Care Center, Inc.

Notes to Financial Statements

Note 8. DHHS Grants

For the year ended January 31, 2012, the Organization received the following DHHS grants:

Grant Number	Grant Period	Total Grant	Revenue Recognized
4 H80 CS 00618-09-03	02/01/10- 02/28/11	\$ 4,346,216	\$ 334,324
4 H80 CS 00618-09-03	03/01/11- 01/31/12	3,887,787	3,864,454
5 H76 HA 00758-08-01	04/01/10- 03/31/11	456,761	73,239
6 H76 HA 00758-09-02	04/01/11- 03/31/12	456,761	383,522
5 H79 TI 18679-03	09/30/10- 09/29/11	400,000	266,666
5 H79 TI 18679-04	09/30/11- 09/29/12	400,000	133,334
6 C81 CS 1487-01-02	06/29/09- 06/28/11	806,395	521,217*
1 H8B CS 11710-01-00	03/27/09- 03/26/11	420,525	18,025*
			\$ 5,594,781

* This grant is for capital additions and is reported as nonoperating revenue on the statement of operations and changes in unrestricted net assets.

Note 9. Patient Services, Net

For the year ended January 31, 2012, patient services, net, consist of the following:

	Gross Revenue	Contractual and Charitable Allowances	Patient Services, Net
Medicaid	\$ 5,120,443	\$ 946,326	\$ 4,174,117
Medicare	631,460	3,752	627,708
Other third-party	574,114	325,063	249,051
Self pay	6,102,343	4,490,229	1,612,114
	\$ 12,428,360	\$ 5,765,370	\$ 6,662,990

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

Borinquen Health Care Center, Inc.

Notes to Financial Statements

Note 10. Contract Services and Other Grants

For the year ended January 31, 2012, contract services and other grants, consist of the following:

Health and Support Services for Persons with HIV Spectrum Disease	\$	455,214
Health Connect in Our Schools		407,285
Healthy Start		190,973
Head Start Program		46,205
The Health Foundation of South Florida		76,650*
Little Haiti Program		41,854
African-American Testing Initiative Program		59,783
United Group of Programs		5,697
Targeted Outreach for Pregnant Women Program		159,448
Enhanced Comprehensive HIV Prevention Plan		88,333
DentaQuest Foundation		11,250
Countywide HIV/AIDS Prevention and Education Services		52,818
Public Health Trust - South Florida AIDS Network		59,905
Larkin Community Hospital		25,000
Department of Human Services Grant		19,338
		<hr/>
		\$ 1,699,753

* This contract is for capital additions and is reported as nonoperating revenue in the statement of operations and changes in net assets.

Note 11. Concentration of Credit and Market Risk

The Organization receives a significant portion of its revenue from a government sponsored program. During the year ended January 31, 2012, revenue earned under this program totaled approximately \$4,198,000. The Organization's current contract under this program expired on January 31, 2012 and requires renewal annually, which occurred for fiscal year 2013. Changes in the government's available funding sources, economic conditions, or changes in political priorities can have an adverse effect on-the Company's financial condition. Management works to reduce its risk associated with this program by marketing and developing other programmatic activities to supplement and improve the Organization's overall financial strength. Management would also explore cost containment initiatives, if needed.

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Organization has never experienced any losses related to these balances. All of the Organization's non-interest bearing cash balances were fully insured at January 31, 2012 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and the Organization's non-interest bearing cash balances may again exceed federally insured limits.

Borinquen Health Care Center, Inc.

Notes to Financial Statements

Note 12. Commitments and Contingencies

The Organization has contracted with various funding agencies to perform certain healthcare services, and receives Medicaid and Medicare revenue from the state and federal governments. Reimbursements received under these contracts and payments under Medicaid and Medicare are subject to audit by federal and state governments and other agencies. Upon audit, if discrepancies are discovered, the Organization could be held responsible for reimbursing the agencies for the amounts in question. There are no amounts due as of January 31, 2012.

The Organization 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 Organization and its employees while providing services within the scope of employment, included under grant-related activities. The Attorney General, through the U.S. Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage. The Organization maintains gap insurance for the programs not covered by FTCA.

The Organization leases space under noncancelable operating leases. Rent expense for the year ended January 31, 2012 amounted to approximately \$348,000. Facilities leased under noncancelable operating leases require future minimum payments as follows:

Year ending January 31,

2013	\$ 310,692
2014	182,230
2015	78,637
2016	46,201
2017	48,000
Thereafter	168,000
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	\$ 833,760

Reports on Compliance



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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*

To the Board of Directors
Borinquen Health Care Center, Inc.
Miami, Florida

We have audited the financial statements of Borinquen Health Care Center, Inc. (the "Organization") as of and for the year ended January 31, 2012, and have issued our report thereon dated July 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures 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 Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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 and other matters that are required to be reported under *Government Auditing Standards*.



This report is intended solely for the information and use of management, the finance committee, the board of directors, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Miami, Florida
July 30, 2012

BDO USA, LLP
Certified Public Accountants



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Borinquen Health Care Center, Inc.
Miami, Florida

Compliance

We have audited the compliance of Borinquen Health Care Center, Inc. (the "Organization") 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 the Organization's major federal programs for the year ended January 31, 2012. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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 Organization'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. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended January 31, 2012.

Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Organization'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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the finance committee, the board of directors, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Miami, Florida
July 30, 2012

BDO USA, LLP
Certified Public Accountants

Borinquen Health Care Center, Inc.
Schedule of Expenditures of Federal Awards
and State Financial Assistance
For the Year ended January 31, 2012

Federal or State Agency/ Pass Through Agency/Project Title	CFDA / CFSA Numbers	Agency or Pass- Through Grantor's Number	Total Expenditures
U.S. Department of Health and Human Services:			
Direct Programs:			
Health Centers Cluster:			
Consolidated Health Centers	93.224	N/A	\$ 4,198,778
ARRA Grants to Health Center Programs	93.703	N/A	539,239
Subtotal Health Centers Cluster			4,738,017
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	456,761
Substance Abuse and Mental Health Services:			
Projects of Regional and National Significance Services	93.243	N/A	400,000
Passed through Miami-Dade County:			
HIV Emergency Relief Project Grants	93.914	GC3BRQ20	200,762
Passed through the State of Florida Department of Health:			
HIV Prevention Activities - Health Department Based: African-American Testing Initiative Program	93.940	DEV44	75,000
HIV Prevention Activities - Health Department Based: Targeted Outreach for Pregnant Women Program	93.940	CODBO	77,232
Affordable Care Act (ACA) Grants for Capital Development in Health Centers: Enhanced Comprehensive HIV Prevention Plan	93.526	DEV87/DEV62	79,663
Subtotal Other U.S. Department of Health and Human Services Grants			1,289,418
Total Federal Awards			\$ 6,027,435
Florida Department of Health			
Passed through Miami Dade County Health Department			
Targeted Outreach for Pregnant Women Program	N/A	CODBO	\$ 74,433
Total State Financial Assistance			\$ 74,433

See Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Borinquen Health Care Center, Inc.
Notes to Schedule of Expenditures of Federal Awards
and State Financial Assistance
For the Year ended January 31, 2012

Note A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of Borinquen Health Care Center, Inc. and is presented on the accrual basis of accounting. The information in this schedule is prepared in accordance with the requirements of OMB *Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*. Because this schedule presents only a select portion of the operations of the Organization, it is not intended to and does not present the financial position, changes to its net assets, or cash flows of the Organization.

Note B - SUB RECIPIENT

Of the federal and state expenditures presented in this schedule, the Organization provided no federal or state awards to sub recipients during the current year.

Borinquen Health Care Center, Inc.
Schedule of Findings and Questioned Costs
For the Year ended January 31, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditor's report issued Unqualified

Internal control over financial reporting:

- Material weaknesses identified? ___yes _X__no
- Significant deficiencies identified not considered to be material weaknesses? ___yes _X__none reported
- Non-compliance material to financial statements noted? ___yes _X__no

Federal Programs:

Internal control over major program:

- Material weaknesses identified? ___yes _X__no
- Significant deficiencies identified not considered to be material weaknesses? ___yes _X__none reported

Type of auditor's report issued on compliance of major program? Unqualified

Any audit findings disclosed that are required to be reported in accordance with the requirements of OMB Circular A-133? ___yes _X__no

Identification of major programs:
CFDA Numbers

Name of Federal Program

<p>93.224</p> <p>93.703</p> <p>93.918</p> <p>93.243</p>	<p>U.S. Department of Health and Human Services:</p> <p>Health Care Cluster:</p> <p style="padding-left: 20px;">Consolidated Health Centers</p> <p style="padding-left: 20px;">ARRA Grants to Health Center Programs</p> <p style="padding-left: 20px;">Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease</p> <p style="padding-left: 20px;">Substance Abuse and Mental Health Services: Project of Regional and National Significance Services</p>
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Dollar threshold used to distinguish between Type A and Type B programs: ___\$300,000___

Auditee qualified as low-risk auditee? _X__yes ___no

Borinquen Health Care Center, Inc.
Schedule of Findings and Questioned Costs
For the Year ended January 31, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

During the audit of the year ended January 31, 2012, there were no identified significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, as well as abuse related to the financial statements which *Government Auditing Standards* require reporting in a Circular A-133 audit.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

During the audit of the year ended January 31, 2012, there were no identified audit findings to be reported under Circular A-133 Section 510 (a).

Borinquen Health Care Center, Inc.
Schedule of Prior Audit Findings
For the Year ended January 31, 2012

SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND COMPLIANCE

Financial Statement Findings

None

Prior Year Federal Award Findings and Questioned Costs:

Non-identified passed through grant in the fiscal year 2010 Schedule of Federal Awards	Remediated
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