



**Borinquen Health Care
Center, Inc.**

**Financial Report in Accordance with
Government Auditing Standards and
Office of Management and Budget
Circular A-133**

For the Years Ended January 31, 2014 and 2013

Borinquen Health Care Center, Inc.
Financial Statements

Borinquen Health Care Center, Inc.
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Reports Required by *Government Auditing Standards* and OMB Circular A-133:

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Borinquen Health Care Center, Inc. (the "Organization"), which comprise the balance sheets as of January 31, 2014 and 2013, and the related statements of operations and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 organization'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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Borinquen Health Care Center, Inc. as of January 31, 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 Information

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 and state financial assistance, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650, *Rules of the Auditor General*, 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 July 29, 2014 on our consideration of Borinquen Health Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

July 29, 2014

BDO USA, LLP

Certified Public Accountants

Borinquen Health Care Center, Inc.

Balance Sheets

January 31,	2014	2013
Assets		
Current assets:		
Cash	\$ 2,024,775	\$ 2,099,620
Patient services receivable, net (Note 3)	303,940	457,283
Grants receivable and other contract services (Note 4)	1,196,359	764,194
Prepaid and other assets	366,586	206,344
Assets limited to use (Note 2)	-	337,078
Total current assets	3,891,660	3,864,519
Property and equipment, net (Note 5)	6,179,565	5,509,438
Other assets	-	114,000
Investment, at cost (Note 6)	70,000	-
Total assets	\$ 10,141,225	\$ 9,487,957
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 478,140	\$ 556,145
Accrued compensation	705,265	680,203
Deferred revenue - federal program	41,666	-
Current maturities of long-term debt (Note 7)	55,365	53,187
Total current liabilities	1,280,436	1,289,535
Long-term debt (Note 7)	2,171,065	2,226,430
Total liabilities	3,451,501	3,515,965
Commitments and Contingencies (Notes 5 and 12)		
Net assets		
Unrestricted	6,689,724	5,634,914
Temporarily restricted	-	337,078
Total net assets	6,689,724	5,971,992
Total liabilities and net assets	\$ 10,141,225	\$ 9,487,957

See Notes to Financial Statements

Borinquen Health Care Center, Inc.

Statements of Operations and Changes in Net Assets

<i>Year ended January 31,</i>	2014	2013
Changes in Unrestricted Net Assets:		
Revenue:		
Patient services, net (Note 9)	\$ 8,328,590	\$ 7,560,810
Department of Health and Human Services grants (Note 8)	6,815,927	5,722,202
Contract services and other grants (Note 10)	1,113,101	1,143,455
Other unrestricted support revenues	2,359,984	1,824,958
Net assets released from restrictions (Note 2)	337,078	648,220
Total revenue	18,954,680	16,899,645
Expenses:		
Salaries and benefits	12,370,092	10,908,643
Other than personnel services	5,327,362	4,329,216
Interest	178,379	181,405
Provision for bad debts	195,608	180,510
Total expenses	18,071,441	15,599,774
Operating income prior to depreciation	883,239	1,299,871
Depreciation	698,452	718,911
Operating income	184,787	580,960
Nonoperating revenue:		
Gain on sale of investment	-	415,476
Department of Health and Human Services grants (Note 8)	783,982	77,105
Other	86,041	98,023
Net assets released from restrictions (Note 2)	-	198,869
Total nonoperating revenue	870,023	789,473
Increase in unrestricted net assets	1,054,810	1,370,433
Unrestricted net assets, beginning of year	5,634,914	4,264,481
Unrestricted net assets, end of year	\$ 6,689,724	\$ 5,634,914

See Notes to Financial Statements

Borinquen Health Care Center, Inc.

Statements of Operations and Changes in Net Assets - Continued

<i>Year ended January 31,</i>	2014	2013
Changes in Temporarily Restricted Net Assets:		
Net assets released from restrictions	\$ (337,078)	\$ (847,089)
Other	-	36
<hr/>		
Decrease in temporarily restricted net assets	(337,078)	(847,053)
Temporarily restricted net assets, beginning of year	337,078	1,184,131
<hr/>		
Temporarily restricted net assets, end of year	-	337,078
Changes in net assets	717,732	523,380
Net assets, beginning of year	5,971,992	5,448,612
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Net assets, end of year	\$ 6,689,724	\$ 5,971,992
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See Notes to Financial Statements

Borinquen Health Care Center, Inc.

Statements of Functional Expenses

<i>Year ended January 31, 2014</i>	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 8,820,591	\$ 1,602,897	\$ 145,180	\$ 10,568,668
Fringe benefits	1,504,067	273,322	24,756	1,802,145
Healthcare consultant	435,874	-	-	435,874
Consultants and contractual services	446,609	13,291	-	459,900
Professional fees	597,225	369,354	-	966,579
Consumable supplies	963,972	110,437	-	1,074,409
Space costs	635,828	60,943	9,705	706,476
Insurance	94,112	16,387	1,539	112,038
Repairs and maintenance	216,904	17,905	-	234,809
Equipment rental	148,122	18,977	-	167,099
Telephone	204,576	14,559	3,052	222,187
Travel, conferences and meetings	170,390	47,024	-	217,414
Dues and subscriptions	41,113	61,772	-	102,885
Interest	152,256	26,123	-	178,379
Printing, publications and postage	84,302	52,235	1,902	138,439
Provision for bad debts	195,608	-	-	195,608
Other	141,197	344,048	3,287	488,532
Subtotal	14,852,746	3,029,274	189,421	18,071,441
Depreciation	628,607	69,845	-	698,452
Total functional expenses	\$ 15,481,353	\$ 3,099,119	\$ 189,421	\$ 18,769,893

See Notes to Financial Statements

Borinquen Health Care Center, Inc.

Statements of Functional Expenses - Continued

<i>Year ended January 31, 2013</i>	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 7,468,887	\$ 1,776,641	\$ 51,920	\$ 9,297,448
Fringe benefits	1,304,791	311,226	9,095	1,625,112
Healthcare consultant	380,206	-	-	380,206
Consultants and contractual services	81,131	113,506	-	194,637
Professional fees	273,482	371,548	-	645,030
Consumable supplies	758,158	44,883	-	803,041
Space costs	583,423	64,825	-	648,248
Insurance	117,921	20,809	-	138,730
Repairs and maintenance	152,736	16,971	-	169,707
Equipment rental	175,860	6,182	-	182,042
Telephone	154,580	17,175	-	171,755
Travel, conferences and meetings	139,007	25,635	-	164,642
Dues and subscriptions	261,915	8,732	-	270,647
Interest	155,565	25,839	-	181,404
Printing, publications and postage	52,636	134,176	-	186,812
Provision for bad debts	180,510	-	-	180,510
Other	43,336	228,046	88,421	359,803
Subtotal	12,284,144	3,166,194	149,436	15,599,774
Depreciation	647,020	71,891	-	718,911
Total functional expenses	\$ 12,931,164	\$ 3,238,085	\$ 149,436	\$ 16,318,685

See Notes to Financial Statements

Borinquen Health Care Center, Inc.

Statements of Cash Flows

<i>Year ended January 31,</i>	2014	2013
Cash flows from operating activities:		
Cash received from patient services	\$ 8,286,325	\$ 7,322,095
Cash received from DHHS grants	7,599,909	5,799,307
Cash received from contract services and other grants	1,266,978	1,905,235
Cash received from other	2,197,062	1,824,958
Cash paid for personnel costs	(12,345,031)	(10,713,812)
Cash paid for operations	(5,409,942)	(4,236,358)
Cash paid for interest	(178,379)	(181,405)
Net cash provided by operating activities	1,416,922	1,720,020
Cash flows from investing activities:		
Cash received from sale of investment	-	580,225
Cash paid for purchase of investment	(70,000)	-
Cash paid for purchase of property and equipment	(1,368,580)	(1,002,949)
Net cash used by investing activities	(1,438,580)	(422,724)
Cash flows from financing activities:		
Cash paid for principal payments of long-term debt	(53,187)	(127,490)
Net cash used by financing activities	(53,187)	(127,490)
Net (decrease) increase in cash	(74,845)	1,169,806
Cash:		
Beginning of year	2,099,620	929,814
End of year	\$ 2,024,775	\$ 2,099,620
Reconciliation of changes in net assets to net cash provided by operating activities:		
Changes in net assets	\$ 717,732	\$ 523,380
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	698,452	718,911
Provision for bad debts	195,608	180,510
Gain on sale of investment	-	(415,476)
Changes in operating assets and liabilities:		
Decrease (increase) in patient services receivable	148,956	(238,715)
Increase in contract services and other grants receivable	(623,386)	(183,332)
Increase in prepaid and other assets	(46,243)	(63,401)
Decrease in assets limited to use	337,078	847,053
(Decrease) Increase in accounts payable and accrued expenses	(36,337)	156,259
Increase in accrued compensation	25,062	194,831
Total adjustments	699,190	1,196,640
Net cash provided by operating activities	\$ 1,416,922	\$ 1,720,020

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.

Net Assets

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, temporarily 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 or statement of operations and changes in net assets.

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

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.

Grants receivable

Grants receivable are reported at their outstanding unpaid balances reduced by an allowance for doubtful accounts. The Organization estimates doubtful accounts based on the specific identification method. The Organization writes off receivable balances against the allowance when a balance is determined to be uncollectible. There was no allowance as of January 31, 2014 and 2013.

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 years ended January 31, 2014 and 2013.

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, 2014 and 2013, the Organization has received grants and contracts from governmental entities in the aggregate amount of approximately \$5,216,000 and \$4,283,000, respectively 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.

Borinquen Health Care Center, Inc.

Notes to Financial Statements

Assets limited to use

During the years ended January 31, 2014, 2013 and 2012, the Organization received \$1.5 million, \$0, and \$1.5 million respectively, in cash from the State of Florida Medicaid Low Income Pool, which included \$500,000, \$0, and \$350,000 in matching funds from Miami-Dade County, to fund capital improvements at its main clinic and new clinic as well as for other capital and operating expenses. During the years ended January 31, 2014 and 2013, the Organization spent approximately \$1,837,000 and \$847,000 of these funds, primarily for capital improvements and operating expenses at the new clinic. Of these amounts, the \$1.5 million funding received during fiscal year 2014 was spent in the current fiscal year and reflected as other unrestricted support revenues in the accompanying statements of operations and changes in net assets. The fiscal year 2012 funding represented a temporarily restricted contribution due to the donor imposed stipulations, and the related expenditures in future years. Of this \$1.5 million fiscal year 2012 funding, \$337,078 and \$648,220 is reflected as net assets released from restrictions in operating revenue in 2014 and 2013, respectively, and \$199,869 is reflected as net assets released from restrictions in non-operating revenue in 2013 in the accompanying statements of operations and changes in net assets.

The remaining balance of temporarily restricted net assets is \$0 and \$337,078 and reflected as Assets limited to use and temporarily restricted net assets as of January 31, 2014 and 2013 in the accompanying balance sheets.

Income taxes

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 ©(3) of the Internal Revenue Code and from state income taxes. Therefore, there is no provision from 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 2010, 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 utilized quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access
- Level 2: Inputs utilized 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, accounts payable, accruals, and long-term debt. The carrying amounts of such financial instruments approximate their estimated fair values as of January 31, 2014 and 2013.

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 was performed through the date the financial statements were available to be issued, which was July 29, 2014 for these financial statements.

Note 3. Patient Services Receivable, Net

Patient services receivable, net, at January 31, 2014 and 2013 consist of the following:

	2014	2013
Medicaid	\$ 422,850	\$ 558,187
Medicare	75,999	69,999
Self-pay	601,855	621,474
Subtotal	1,100,704	1,249,660
Less allowance for doubtful accounts	(796,764)	(792,377)
Total	\$ 303,940	\$ 457,283

Borinquen Health Care Center, Inc.

Notes to Financial Statements

Note 4. Grants Receivable and Other Contract Services

As of January 31, 2014 and 2013, grants receivable and other contract services consist of:

	2014	2013
Medicaid Wrap Around	\$ 410,984	\$ 396,049
Emergency Relief Grant (Ryan White Part A)	245,709	110,666
Medicaid/Medicare Meaningful Use	225,250	16,000
Other	82,907	52,460
Healthy Start	58,237	72,152
High Impact Prevention	57,667	-
SAMHSA Grant	41,666	-
Health Connect in Our Schools	31,120	60,930
Targeted Outreach for Pregnant Women (TOPWA)	23,334	23,334
Expanded Testing Initiative / HIV Testing	18,750	25,833
Public Health Trust Dade County, South Florida AIDS Network	735	6,770
Total	\$ 1,196,359	\$ 764,194

Note 5. Property and Equipment

As of January 31, 2014 and 2013, property and equipment, net, consists of the following:

	2014	2013
Land	\$ 240,000	\$ 240,000
Building and improvements	7,043,448	6,882,751
Furniture and equipment	3,502,816	3,243,340
Vehicles	396,874	321,732
Construction-in-progress	1,376,768	503,504
	12,559,906	11,191,327
Less accumulated depreciation	(6,380,341)	(5,681,889)
	\$ 6,179,565	\$ 5,509,438

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 \$2,471,000 and \$614,000, as of January 31, 2014 and 2013, to complete the construction-in-progress, which consists primarily of building improvements.

Note 6. Investment

On September 5, 2013, the Organization entered into an agreement in order to purchase 700 units of Health Choice Care, LLC ("HCC") and be eligible to participate in the managed care organization upon its evolvment. The Organization's investment in HCC as of January 31, 2014 amounts to \$70,000, which is recorded at cost. The Organization has a less than five percent member interest in HCC. HCC was formed as an Accountable Care Organization (ACO) to contract with the centers for Medicaid and Medicare Services (CMS) and initially offer membership interests to Health Choice Network of Florida, LLC and other participating providers. CMS has established a Medicare Shared Savings Program to facilitate coordination and cooperation among providers to

Borinquen Health Care Center, Inc.

Notes to Financial Statements

improve the quality of care for Medicare Fee-For-Service (FFS) beneficiaries and reduce unnecessary costs. Eligible providers, hospitals, and suppliers may participate in the Shared Savings Program by creating or participating in an Accountable Care Organization ACO.

Note 7. Long-Term Debt

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

	2014	2013
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 balloon payment of \$1,920,000 and a fixed rate of interest of 6.75%. The related property serves as collateral on the loan. DHHS has a reversionary interest on the related property.	\$ 2,226,430	\$ 2,279,617
	2,226,430	2,279,617
Less current maturities	55,365	53,187
Long-term portion	\$ 2,171,065	\$ 2,226,430

The aggregate amount of principal payments on long-term debt during the years following January 31, 2014 is as follows:

Year ending January 31,

2015	\$	55,365
2016		59,220
2017		63,343
2018		67,754
Thereafter		1,925,383
	\$	2,171,065

Note 8. DHHS Grants

For the year ended January 31, 2014, the Organization received the following DHHS grants:

Grant Number	Grant Period	Total Grant	Revenue Recognized
H80CS00618	02/01/13-01/31/14	\$ 5,505,059	\$ 4,667,823
C81CS23648	05/01/12-04/30/15	4,225,893	783,982*
H76HA00758	04/01/12-03/31/13	456,761	76,126
H76HA00758	04/01/13-03/31/14	718,923	554,040
1H79TI0234364-01	09/30/12-09/29/13	500,000	333,334
1H79TI0234364-02	09/30/13-09/29/14	500,000	166,666
HSBHCC 13-14	07/01/13-06/30/14	381,574	197,011
BU3BRQ22	03/01/12-02/28/13	586,544	24,817
BU3BRQ23	03/01/13-02/28/14	888,361	796,110
C8BCS23821	05/01/12-04/30/14	135,000	-
		\$	7,599,909

* This grant is for capital additions and is reported as nonoperating revenue on the statement of

Borinquen Health Care Center, Inc.

Notes to Financial Statements

operations and changes in net assets.

For the year ended January 31, 2013, the Organization received the following DHHS grants:

Grant Number	Grant Period	Total Grant	Revenue Recognized
H80CS00618	02/01/12-01/31/13	\$ 4,315,155	\$ 4,272,685
C8ACS23648	05/01/12-04/30/15	4,225,893	77,105*
H76HA00758	04/01/12-03/31/13	456,761	456,761
5H79TI018679-05	09/30/11-09/29/12	400,000	266,666
1H79TI0234364-01	09/30/12-09/29/13	500,000	166,666
2 H89HA00005-21	03/01/11-02/28/12	524,231	6,536
2 H89HA00005-22	03/01/12-02/28/13	586,544	552,888
C8BCS23821	05/01/12-04/30/14	135,000	-*
			\$ 5,799,307

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

Note 9. Patient Services, Net

For the year ended January 31, 2014, patient services, net, consisted of the following:

	Gross Revenue	Contractual and Charitable Allowances	Patient Services, Net
Medicaid	\$ 7,279,926	\$ 1,973,338	\$ 5,306,588
Medicare	806,434	99,902	706,532
Other third-party	636,200	97,681	538,519
Self pay	8,972,585	7,195,634	1,776,951
	\$ 17,695,145	\$ 9,366,555	\$ 8,328,590

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.

For the year ended January 31, 2013, patient services, net, consisted of the following:

	Gross Revenue	Contractual and Charitable Allowances	Patient Services, Net
Medicaid	\$ 7,269,091	\$ 2,420,031	\$ 4,849,060
Medicare	744,385	101,736	642,649
Other third-party	509,175	137,535	371,640
Self pay	8,698,910	7,001,449	1,697,461
	\$ 17,221,561	\$ 9,660,751	\$ 7,560,810

Borinquen Health Care Center, Inc.

Notes to Financial Statements

Note 10. Contract Services and Other Grants

For the years ended January 31, 2014 and 2013, contract services and other grants, consist of the following:

	2014	2013
Health Connect in Our Schools	\$ 393,472	\$ 394,401
Healthy Start	144,067	260,319
Targeted Outreach for Pregnant Women Program	140,000	140,000
Public Health Trust - South Florida AIDS Network	106,864	54,913
African-American Testing Initiative Program	90,417	75,833
Larkin Community Hospital	75,000	77,250
Enhanced Comprehensive HIV Prevention Plan	41,333	93,333
Countywide HIV/AIDS Prevention and Education Services	41,128	41,122
Children's Trust Program	37,502	-
Miami B Schools	27,157	-
Colorectal Cancer Program	10,000	-
United Group of Programs	4,912	661
Medical Group Appointments	1,249	-
Head Start Program	-	5,623
	\$ 1,113,101	\$ 1,143,455

Note 11. Concentration of Credit and Market Risk

The Organization receives a significant portion of its revenue from a government sponsored program. During the years ended January 31, 2014 and 2013, revenue earned under this program totaled approximately \$4,668,000 and \$4,273,000. The Organization's current contract under this program expired on January 31, 2014 and requires renewal annually, which occurred for fiscal year 2015. Changes in the government's available funding sources, economic conditions, or changes in political priorities can have an adverse effect on the Organization'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 is maintained at financial institutions and, at times, balances may exceed federally insured limits. The Organization has never experienced any losses related to these balances. At January 31, 2014 and 2013 insurance coverage reverted to \$250,000 per depositor at each financial institution, and the Organization's non-interest bearing cash balances may again exceed federally insured limits.

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, 2014.

The Organization maintains its medical malpractice coverage under the Federal Tort Claims Act ("FTCA"). The 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

Borinquen Health Care Center, Inc.

Notes to Financial Statements

for malpractice cases approved for the FTCA coverage. The Organization maintains gap insurance for the programs not covered by the FTCA.

The Organization leases space under noncancelable operating leases. Rent expense for the year ended January 31, 2014 amounted to approximately \$499,638. Facilities leased under noncancelable operating leases require future minimum payments as follows:

Year ending January 31,

2015	\$	641,319
2016		466,147
2017		447,497
2018		450,559
2019		303,789
Thereafter		821,320
	\$	3,130,631

Reports Required by *Government Auditing Standards*
and OMB Circular A-133



**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***

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

Dear Board of Directors:

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 Borinquen Health Care Center, Inc. (the "Organization"), which comprise the balance sheets as of January 31, 2014 and 2013, and the related statements of operations and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated July 29, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

July 29, 2014

Certified Public Accountants



Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance

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

Report on Compliance for Each Major Federal Program

We have audited Borinquen Health Care Center, Inc. (the "Organization") 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 the Organization's major federal programs for the year ended January 31, 2014. The Organization'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 each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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 January 31, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying *schedule of findings and questioned costs* as item 2014-001. Our opinion on each major federal program is not modified with respect to these matters.

The Organization's response to the noncompliance finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. The Organization's response was not



subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization'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 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002 that we consider to be significant deficiencies.

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

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

BDO USA, LLP

July 29, 2014

Certified Public Accountants

**Borinquen Health Care Center, Inc.
Schedule of Expenditures of Federal Awards
And State Financial Assistance
For the Year ended January 31, 2014**

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:			
Health Centers Cluster:			
Consolidated Health Centers	93.224	H80CS00618	\$ 4,667,823
Subtotal Health Centers Cluster			4,667,823
Other U.S. Department of Health and Human Services Grants:			
Capital Development Program	93.526	C81CS23648	783,982
Affordable Care Act (ACA) Grants for Capital Development in Health Centers: Enhanced Comprehensive HIV Prevention Plan	93.526	DEW06	41,333
Subtotal Capital Development Grants			825,315
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00758	630,166
Substance Abuse and Mental Health Services Administration	93.243	1H79TI024364- 02/1H79TI024364-01	500,000
Healthy Start Program	93.778/93.994	HSBHCC 13-14	197,011
Integrating Colorectal Cancer Screening	93.283	A7A88D	10,000
Passed through Miami-Dade County:			
Health and Support Services for Persons Living with HIV/AIDS	93.914	2H89HA00005-21	24,817
Health and Support Services for Persons Living with HIV/AIDS	93.914	2H89HA00005-22	796,110
Subtotal Health and Support Services for Persons Living with HIV/AIDS Grants			820,927
Passed through the State of Florida Department of Health:			
HIV Prevention Activities - Health Department Based: African-American Testing Initiative Program	93.940	DEW55	11,667
HIV Prevention Activities - Health Department Based: African-American Testing Initiative Program	93.940	DEW27	78,750
HIV Prevention Activities - Health Department Based: Targeted Outreach for Pregnant Women Program	93.940	CODFP-Renewal	65,000
AIDS Prevention 2013	93.940	CODHR	314,410
AIDS Prevention 2014	93.940	CODHR-Renewal 1	29,039
Subtotal HIV Prevention Activities and AIDS Prevention Grants			498,866
Subtotal Other U.S. Department of Health and Human Services Grants			3,482,285
Total Federal Awards			\$ 8,150,108
Florida Department of Health			
Passed through Miami Dade County Health Department			
Targeted Outreach for Pregnant Women Program	N/A	CODFP-Renewal	\$ 28,334
Targeted Outreach for Pregnant Women Program	N/A	CODFP	46,667
Healthy Start Coalition of Miami-Dade	N/A	HSBHCC 12-13	144,067
Total State Financial Assistance			\$ 219,068

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, 2014

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 RECIPIENTS

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, 2014

SECTION I - SUMMARY OF AUDITOR'S 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_no
- 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? _X_yes ___no

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? _X_yes ___no

Identification of major programs:

CFDA Numbers Name of Federal Program

93.224	U.S. Department of Health and Human Services: Health Care Cluster: Consolidated Health Centers
93.526	Capital Development Program
93.914	Health and Support Services for Persons Living with HIV/AIDS
93.940	Passed through the State of Florida Department of Health: HIV Prevention Activities - Health Department Based: African-American Testing Initiative Program
93.940	Passed through the State of Florida Department of Health: HIV Prevention Activities - Health Department Based: Targeted Outreach for Pregnant Women Program
93.940	AIDS Prevention

Dollar threshold used to distinguish between Type A and Type B programs: ___\$300,000___

Auditee qualified as low-risk auditee? ___yes _X_no

Borinquen Health Care Center, Inc.
Schedule of Findings and Questioned Costs
For the Year ended January 31, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

During the audit of the year ended December January 31, 2014, there are no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Borinquen Health Care Center, Inc.
Schedule of Findings and Questioned Costs
For the Year ended January 31, 2014

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

During the audit of the year ended January 31, 2014, there were two findings which OMB Circular A-133 requires reporting.

Finding: 2014-001

<u>Criteria:</u>	<u>Internal Control over Cash Management</u> The Organization is responsible for managing cash funds received from the various federal grantor agencies in accordance with OMB Circular A-133.
<u>Condition:</u>	Payments related to CFDA 93.243 Substance Abuse and Mental Health Services (SAMHSA) are made available through the Health and Human Services (HHS) Payment Management System (PMS). PMS is a centralized grants payment and cash management system operated by the HHS Program Support Center (PSC). Due to the fact that the Capital Development Grant and SAMHSA are funded by HHS, the Organization erroneously drew down \$41,666 from the Capital Development Grant instead of SAMHSA, which resulted in the recording of deferred revenue related to a federal program of this amount in the financial statements. This error also resulted in the misclassification of \$41,666 of expenditures between the Organization's two active SAMHSA grant contracts (1H79TI024364-01 and 1H79TI024364-02) during fiscal year 2014, although the total expenditures of SAMHSA grants was correctly reported in the fiscal year 2014 Schedule of Expenditures of Federal Awards and State Financial Assistance (SEFA).
<u>Cause:</u>	There appears to be a lack of review of cash management activities and related reconciliation to the financial statements and SEFA.
<u>Effect:</u>	The effect of the deficiency in internal control is that cash funds were erroneously drawn down from the Capital Development Grants resulting in deferred revenue related to a federal program being recorded in the financial statements. In addition, expenditures totaling \$41,666 were erroneously misclassified between the Organization's two active SAMHSA grant contracts during fiscal year 2014, although the total expenditures of SAMHSA grants was correctly reported in the fiscal year 2014 Schedule of Expenditures of Federal Awards and State Financial Assistance. These errors were subsequently corrected by management in the financial statements and Schedule of Expenditures of Federal Awards and State Financial Assistance.
<u>Questioned Costs</u>	None.
<u>Recommendation:</u>	We recommend the Organization review its processes over its cash management to ensure that all federal and state funds drawn down are properly supported by allowable expenditures and are appropriately applied and reported to the correct grants in the financial statements and to the appropriate grant contract in the Schedule of Expenditures of Federal Awards and State Financial Assistance, respectively.
<u>Management's Response:</u>	Management has established a new policy whereby the Finance department will review all HHS grants contracts and ensure that grant revenues and expenses are appropriately reconciled to HHS Payment Management System. The new processes include a review of grant contracts, general ledger classification, and SEFA preparation including multiple levels of review including approvals by the Controller and Chief Financial Officer.

Borinquen Health Care Center, Inc.
Schedule of Findings and Questioned Costs
For the Year ended January 31, 2014

Finding: 2014-002

<u>Criteria:</u>	<p><u>Internal Control over the Preparation of Schedule of Expenditures of Federal Awards and State Financial Assistance</u></p> <p>The Organization is responsible to maintain effective internal controls over the preparation of the Schedule of Expenditures of Federal Awards and State Financial Assistance in order to report accurate and complete data as required by OMB Circular A-133.</p>
<u>Condition:</u>	<p>Payments related to CFDA 93.243 Substance Abuse and Mental Health Services (SAMHSA) are made available through the Health and Human Services (HHS) Payment Management System (PMS). PMS is a centralized grants payment and cash management system operated by the HHS Program Support Center (PSC). Due to the fact that the Capital Development Grant and SAMHSA are funded by HHS, the Organization erroneously drew down \$41,666 from the Capital Development Grant instead of SAMHSA, which resulted in the recording of deferred revenue related to a federal program of this amount in the financial statements. This error also resulted in the misclassification of \$41,666 of expenditures between the Organization's two active SAMHSA grant contracts (1H79TI024364-01 and 1H79TI024364-02) during fiscal year 2014, although the total expenditures of SAMHSA grants was correctly reported in the fiscal year 2014 Schedule of Expenditures of Federal Awards and State Financial Assistance (SEFA).</p>
<u>Cause:</u>	<p>There appears to be a lack of review of cash management and related reconciliation to the financial statements and SEFA.</p>
<u>Effect:</u>	<p>The effect of the deficiency in internal control is that cash funds were erroneously drawn down from the Capital Development Grants resulting in deferred revenue related to a federal program being recorded in the financial statements. In addition, expenditures totaling \$41,666 were erroneously misclassified between the Organization's two active SAMHSA grant contracts during fiscal year 2014, although the total expenditures of SAMHSA grants was correct in the fiscal year 2014 Schedule of Expenditures of Federal Awards and State Financial Assistance. These errors were subsequently corrected by management in the financial statements and Schedule of Expenditures of Federal Awards and State Financial Assistance.</p>
<u>Questioned Costs</u>	<p>None.</p>
<u>Recommendation:</u>	<p>We recommend the Organization review its processes over its cash management, grant accumulation and reporting process to ensure that all federal and state revenues and expenditures are appropriately applied and reported in the financial statements and within the appropriate grant contract in the Schedule of Expenditures of Federal Awards and State Financial Assistance, respectively.</p>
<u>Management's Response:</u>	<p>Management has established a new policy whereby the Finance department will review all HHS grants contracts and ensure that grant revenues and expenses are appropriately reconciled to HHS Payment Management System. The new processes include a review of grant contracts, general ledger classification, and SEFA preparation including multiple levels of review including approvals by the Controller and Chief Financial Officer.</p>

Borinquen Health Care Center, Inc.
Schedule of Prior Audit Findings
For the Year ended January 31, 2014

SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND COMPLIANCE

Prior Year Financial Statement Finding - Finding 2013-001

A significant deficiency in internal control over compliance was identified during fiscal year 2014 over the preparation of the Schedule of Expenditures of Federal Awards and State Financial Assistance ("SEFA"). During fiscal year 2013, the Organization changed the presentation of the Schedule of Expenditures of Federal Awards and State Financial Assistance on multiple occasions during the audit, as the information provided to the auditors was not complete and accurate. The Organization excluded federal grant expenditures totaling approximately \$559,000 relating to CFDA 93.914 Health and Support Services for Persons Living with HIV/AIDs from the Schedule. This resulted in the Organization misclassifying approximately \$559,000 of revenues as "contract services" as opposed to "DHHS grants" in the fiscal year 2013 financial statements. This matter constituted a material weakness over the Organization's internal controls over financial reporting.

In 2014, management established a new policy whereby the Finance department reviewed all executed grants contracts and ensure that grant revenues and expenses are appropriately categorized in the general ledger by government funding source (federal, state, local, etc.). This revised process allows the Finance department to appropriately prepare the Schedule of Expenditures of Federal Awards and State Financial Assistance. The new processes include a review of grant contracts, general ledger classification, and SEFA preparation including multiple levels of review including approvals by the Controller and Chief Financial Officer.

Prior Year Federal Award Finding: Finding 2013-002

A significant deficiency in internal control over compliance was identified during fiscal year 2014 over the preparation of the Schedule of Expenditures of Federal Awards and State Financial Assistance. During fiscal year 2013, the Organization changed the presentation of the Schedule of Expenditures of Federal Awards and State Financial Assistance on multiple occasions during the audit, as the information provided to the auditors was not complete and accurate. The Organization excluded federal grant expenditures totaling approximately \$559,000 relating to CFDA 93.914 Health and Support Services for Persons Living with HIV/AIDs from the Schedule.

In 2014 management established a new policy whereby the Finance department reviewed all executed grants contracts and ensure that grant revenues and expenses are appropriately categorized in the general ledger by government funding source (federal, state, local, etc.). This revised process allows the Finance department to appropriately prepare the Schedule of Expenditures of Federal Awards and State Financial Assistance. The new processes include a review of grant contracts, general ledger classification, and SEFA preparation including multiple levels of review including approvals by the Controller and Chief Financial Officer.