



**Brockton
Neighborhood
Health Center**

**FINANCIAL STATEMENTS IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS AND
OMB CIRCULAR A-133
JUNE 30, 2012 AND 2011
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.

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JUNE 30, 2012 AND 2011**

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**UNQUALIFIED OPINION ON FINANCIAL STATEMENTS AND SUPPLEMENTARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS -
NOT-FOR-PROFIT ORGANIZATION**

Independent Auditor's Report

To the Board of Directors of
Brockton Neighborhood Health Center, Inc.:

We have audited the accompanying statements of financial position of Brockton Neighborhood Health Center, Inc. (a Massachusetts corporation, not for profit) (the Health Center) as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets and cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Health Center's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Brockton Neighborhood Health Center, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years 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 September 25, 2012, on our consideration of the Health Center'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 in assessing the results of our audit.

To the Board of Directors of
Brockton Neighborhood Health Center, Inc.
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Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of expenditures of federal awards – not-for-profit organization for the year ended June 30, 2012, is presented for purposes of additional analysis as required by the 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 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 audits of the financial statements and certain other 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 supplementary schedule of expenditures of federal awards – not-for-profit organization is fairly stated in all material respects in relation to the financial statements as a whole.


Wellesley, Massachusetts
September 25, 2012

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011**

| <u>ASSETS</u> | <u>2012</u> | | | <u>2011</u> | | |
|--|----------------------|-----------------------------------|----------------------|----------------------|-----------------------------------|----------------------|
| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>TOTAL</u> | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>TOTAL</u> |
| CURRENT ASSETS: | | | | | | |
| Cash and cash equivalents | \$ 1,895,230 | \$ 517,308 | \$ 2,412,538 | \$ 643,028 | \$ 540,897 | \$ 1,183,925 |
| Patient service fees receivable, net of allowance for doubtful accounts of \$1,369,717 and \$1,755,130 at June 30, 2012 and 2011, respectively | 2,671,529 | - | 2,671,529 | 3,510,281 | - | 3,510,281 |
| Contracts and grants receivable | 1,594,293 | - | 1,594,293 | 66,858 | 100,000 | 166,858 |
| Current portion of pledges receivable | 100,000 | - | 100,000 | 114,941 | - | 114,941 |
| Inventory and other | 349,338 | - | 349,338 | 340,021 | - | 340,021 |
| Total current assets | <u>6,610,390</u> | <u>517,308</u> | <u>7,127,698</u> | <u>4,675,129</u> | <u>640,897</u> | <u>5,316,026</u> |
| PLEDGES RECEIVABLE , net of current portion, discount and reserve | 178,163 | - | 178,163 | 268,910 | - | 268,910 |
| PROPERTY AND EQUIPMENT , net | 16,110,651 | - | 16,110,651 | 16,764,789 | - | 16,764,789 |
| CONSTRUCTION IN PROGRESS | <u>8,188,747</u> | <u>-</u> | <u>8,188,747</u> | <u>305,462</u> | <u>-</u> | <u>305,462</u> |
| Total assets | <u>\$ 31,087,951</u> | <u>\$ 517,308</u> | <u>\$ 31,605,259</u> | <u>\$ 22,014,290</u> | <u>\$ 640,897</u> | <u>\$ 22,655,187</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | | | | | |
| CURRENT LIABILITIES: | | | | | | |
| Current portion of notes payable | \$ 208,697 | \$ - | \$ 208,697 | \$ 195,378 | \$ - | \$ 195,378 |
| Accounts payable | 431,852 | - | 431,852 | 346,313 | - | 346,313 |
| Accounts payable - construction in progress | 1,515,544 | - | 1,515,544 | 5,325 | - | 5,325 |
| Accrued expenses | 1,468,279 | - | 1,468,279 | 1,470,283 | - | 1,470,283 |
| Total current liabilities | <u>3,624,372</u> | <u>-</u> | <u>3,624,372</u> | <u>2,017,299</u> | <u>-</u> | <u>2,017,299</u> |
| NOTES PAYABLE , net of current portion | <u>12,609,483</u> | <u>-</u> | <u>12,609,483</u> | <u>12,811,848</u> | <u>-</u> | <u>12,811,848</u> |
| Total liabilities | <u>16,233,855</u> | <u>-</u> | <u>16,233,855</u> | <u>14,829,147</u> | <u>-</u> | <u>14,829,147</u> |
| NET ASSETS: | | | | | | |
| Unrestricted: | | | | | | |
| Operating | 3,385,378 | - | 3,385,378 | 3,127,443 | - | 3,127,443 |
| Property and equipment | 11,468,718 | - | 11,468,718 | 4,057,700 | - | 4,057,700 |
| Total unrestricted | <u>14,854,096</u> | <u>-</u> | <u>14,854,096</u> | <u>7,185,143</u> | <u>-</u> | <u>7,185,143</u> |
| Temporarily restricted | - | 517,308 | 517,308 | - | 640,897 | 640,897 |
| Total net assets | <u>14,854,096</u> | <u>517,308</u> | <u>15,371,404</u> | <u>7,185,143</u> | <u>640,897</u> | <u>7,826,040</u> |
| Total liabilities and net assets | <u>\$ 31,087,951</u> | <u>\$ 517,308</u> | <u>\$ 31,605,259</u> | <u>\$ 22,014,290</u> | <u>\$ 640,897</u> | <u>\$ 22,655,187</u> |

The accompanying notes are integral part of these statements.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

| | 2012 | | | 2011 | | |
|---|----------------------|-----------------------------------|----------------------|---------------------|-----------------------------------|---------------------|
| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>TOTAL</u> | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>TOTAL</u> |
| OPERATING REVENUE AND SUPPORT: | | | | | | |
| Net patient service revenue | \$ 20,464,284 | \$ - | \$ 20,464,284 | \$ 19,333,488 | \$ - | \$ 19,333,488 |
| Contracts and grants | 2,832,302 | 469,991 | 3,302,293 | 2,508,760 | 658,162 | 3,166,922 |
| Contributions | 1,161,329 | - | 1,161,329 | 81,742 | - | 81,742 |
| Donated services | 251,293 | - | 251,293 | 244,517 | - | 244,517 |
| Miscellaneous | 182,900 | - | 182,900 | 141,359 | - | 141,359 |
| Net assets released from restrictions: | | | | | | |
| Satisfaction of purpose restrictions | 568,280 | (568,280) | - | 383,438 | (383,438) | - |
| Total operating revenue and support | <u>25,460,388</u> | <u>(98,289)</u> | <u>25,362,099</u> | <u>22,693,304</u> | <u>274,724</u> | <u>22,968,028</u> |
| OPERATING EXPENSES: | | | | | | |
| Medical | 17,868,239 | - | 17,868,239 | 15,469,587 | - | 15,469,587 |
| Dental | 2,852,636 | - | 2,852,636 | 2,613,771 | - | 2,613,771 |
| HIV | 1,073,804 | - | 1,073,804 | 591,503 | - | 591,503 |
| Social Services | 1,143,303 | - | 1,143,303 | 794,546 | - | 794,546 |
| General and Administrative | 2,070,713 | - | 2,070,713 | 2,301,614 | - | 2,301,614 |
| Other Support Services | 999,469 | - | 999,469 | 876,872 | - | 876,872 |
| Total operating expenses | <u>26,008,164</u> | <u>-</u> | <u>26,008,164</u> | <u>22,647,893</u> | <u>-</u> | <u>22,647,893</u> |
| Changes in net assets from operations | <u>(547,776)</u> | <u>(98,289)</u> | <u>(646,065)</u> | <u>45,411</u> | <u>274,724</u> | <u>320,135</u> |
| NON-OPERATING REVENUES (EXPENSES): | | | | | | |
| Capital grants and contributions | 8,191,429 | - | 8,191,429 | 316,976 | 111,775 | 428,751 |
| Capital campaign expenses | - | - | - | (9,002) | - | (9,002) |
| Net assets released from capital restrictions | 25,300 | (25,300) | - | 39,910 | (39,910) | - |
| Total non-operating revenues (expenses) | <u>8,216,729</u> | <u>(25,300)</u> | <u>8,191,429</u> | <u>347,884</u> | <u>71,865</u> | <u>419,749</u> |
| Changes in net assets | <u>7,668,953</u> | <u>(123,589)</u> | <u>7,545,364</u> | <u>393,295</u> | <u>346,589</u> | <u>739,884</u> |
| NET ASSETS, beginning of year | <u>7,185,143</u> | <u>640,897</u> | <u>7,826,040</u> | <u>6,791,848</u> | <u>294,308</u> | <u>7,086,156</u> |
| NET ASSETS, end of year | <u>\$ 14,854,096</u> | <u>\$ 517,308</u> | <u>\$ 15,371,404</u> | <u>\$ 7,185,143</u> | <u>\$ 640,897</u> | <u>\$ 7,826,040</u> |

The accompanying notes are an integral part of these statements.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

| | <u>2012</u> | <u>2011</u> |
|--|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Changes in net assets | \$ 7,545,364 | \$ 739,884 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation | 1,093,607 | 1,088,176 |
| Bad debt | 404,673 | 381,009 |
| Capital grants and contributions | (8,191,429) | (428,751) |
| Changes in operating assets and liabilities: | | |
| Patient service fees receivable | 434,079 | (1,274,877) |
| Contracts and grants receivable | 75,609 | (52,082) |
| Pledges receivable | 105,688 | 117,427 |
| Inventory and other | (9,317) | (69,343) |
| Accounts payable | 85,539 | 15,690 |
| Accrued expenses | (2,004) | (17,369) |
| Deferred revenue | - | (207,767) |
| | <hr/> | <hr/> |
| Net cash provided by operating activities | 1,541,809 | 291,997 |
| | <hr/> | <hr/> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of property and equipment | (238,016) | (104,609) |
| Acquisition of construction in progress | (6,574,519) | (560,933) |
| | <hr/> | <hr/> |
| Net cash used in investing activities | (6,812,535) | (665,542) |
| | <hr/> | <hr/> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Capital grants and contributions received | 6,688,385 | 428,751 |
| Principal payments on notes payable | (189,046) | (190,515) |
| | <hr/> | <hr/> |
| Net cash provided by financing activities | 6,499,339 | 238,236 |
| | <hr/> | <hr/> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,228,613 | (135,309) |
| CASH AND CASH EQUIVALENTS, beginning of year | 1,183,925 | 1,319,234 |
| | <hr/> | <hr/> |
| CASH AND CASH EQUIVALENTS, end of year | \$ 2,412,538 | \$ 1,183,925 |
| | <hr/> | <hr/> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid for interest | \$ 868,752 | \$ 878,724 |
| | <hr/> | <hr/> |
| Construction in progress acquired through financing or accounts payable | \$ 1,510,219 | \$ 321,120 |
| | <hr/> | <hr/> |
| Construction in progress transferred to property and equipment | \$ 201,453 | \$ 2,680,697 |
| | <hr/> | <hr/> |

The accompanying notes are an integral part of these statements.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012**

(With Summarized Comparative Totals for the Year Ended June 30, 2011)

| EXPENSES: | 2012 | | | | | 2011 | | | TOTAL EXPENSES | TOTAL EXPENSES |
|---|----------------------|---------------------|---------------------|---------------------|------------------------|----------------------------|------------------------|------------------|----------------------|----------------------|
| | PROGRAM SERVICES | | | | TOTAL PROGRAM SERVICES | SUPPORTING SERVICES | | TOTAL EXPENSES | | |
| | MEDICAL | DENTAL | HIV | SOCIAL SERVICES | | GENERAL AND ADMINISTRATIVE | OTHER SUPPORT SERVICES | | | |
| Personnel and related costs: | | | | | | | | | | |
| Salaries | \$ 9,459,290 | \$ 1,809,594 | \$ 751,513 | \$ 740,701 | \$ 12,761,098 | \$ 1,348,663 | \$ 190,420 | \$ 1,539,083 | \$ 14,300,181 | \$ 12,282,733 |
| Payroll taxes and fringe benefits | 1,756,014 | 330,224 | 139,534 | 138,067 | 2,363,839 | 251,742 | 49,300 | 301,042 | 2,664,881 | 2,195,824 |
| Contracted services | 2,104,995 | 126,615 | 2,194 | 9,194 | 2,242,998 | - | - | - | 2,242,998 | 1,910,607 |
| Total personnel and related costs | <u>13,320,299</u> | <u>2,266,433</u> | <u>893,241</u> | <u>887,962</u> | <u>17,367,935</u> | <u>1,600,405</u> | <u>239,720</u> | <u>1,840,125</u> | <u>19,208,060</u> | <u>16,389,164</u> |
| Occupancy: | | | | | | | | | | |
| Depreciation | 550,085 | 126,859 | 28,434 | 53,587 | 758,965 | 82,018 | 252,624 | 334,642 | 1,093,607 | 1,088,176 |
| Mortgage interest | 436,982 | 100,775 | 22,588 | 42,569 | 602,914 | 65,156 | 200,682 | 265,838 | 868,752 | 878,724 |
| Utilities | 81,218 | 18,730 | 4,199 | 7,913 | 112,060 | 12,110 | 54,690 | 66,800 | 178,860 | 171,963 |
| Security and safety | 54,142 | 12,636 | 2,799 | 5,274 | 74,851 | 8,073 | 24,864 | 32,937 | 107,788 | 104,200 |
| Housekeeping supplies | 49,491 | 11,413 | 2,558 | 4,821 | 68,283 | 7,379 | 22,728 | 30,107 | 98,390 | 85,898 |
| Repairs and maintenance | 31,092 | 15,349 | 1,567 | 3,661 | 51,669 | 5,976 | 21,103 | 27,079 | 78,748 | 59,939 |
| Telephone | 28,969 | 3,966 | 3,948 | 5,163 | 42,046 | 7,231 | 23,904 | 31,135 | 73,181 | 66,061 |
| Storage | 7,025 | 1,620 | 363 | 684 | 9,692 | 1,047 | 3,226 | 4,273 | 13,965 | - |
| Rent | 1,266 | 292 | 65 | 123 | 1,746 | 189 | 581 | 770 | 2,516 | 2,516 |
| Total occupancy | <u>1,240,270</u> | <u>291,640</u> | <u>66,521</u> | <u>123,795</u> | <u>1,722,226</u> | <u>189,179</u> | <u>604,402</u> | <u>793,581</u> | <u>2,515,807</u> | <u>2,457,477</u> |
| Consumables: | | | | | | | | | | |
| Pharmaceutical prescriptions | 1,994,808 | - | - | - | 1,994,808 | - | - | - | 1,994,808 | 1,841,531 |
| Medical supplies | 411,449 | 122,805 | 24,023 | 3,732 | 562,009 | - | - | - | 562,009 | 495,158 |
| Office supplies | 104,341 | 26,292 | 5,960 | 17,206 | 153,799 | 91 | 281 | 372 | 154,171 | 118,552 |
| Copying and printing | 8,424 | 1,738 | 595 | 1,990 | 12,747 | - | - | - | 12,747 | 14,761 |
| Total consumables | <u>2,519,022</u> | <u>150,835</u> | <u>30,578</u> | <u>22,928</u> | <u>2,723,363</u> | <u>91</u> | <u>281</u> | <u>372</u> | <u>2,723,735</u> | <u>2,470,002</u> |
| Professional costs: | | | | | | | | | | |
| Dues, subscriptions and licenses | 79,737 | 17,486 | 3,308 | 8,902 | 109,433 | 120 | 371 | 491 | 109,924 | 107,063 |
| Training, conferences and meetings | 26,693 | 2,649 | 17,569 | 11,658 | 58,569 | 19,933 | 10,586 | 30,519 | 89,088 | 89,578 |
| Insurance | 21,243 | 4,317 | 880 | 2,729 | 29,169 | - | - | - | 29,169 | 27,569 |
| Travel | 5,102 | 13 | 5,954 | 3,366 | 14,435 | 6,978 | 303 | 7,281 | 21,716 | 12,013 |
| Total professional costs | <u>132,775</u> | <u>24,465</u> | <u>27,711</u> | <u>26,655</u> | <u>211,606</u> | <u>27,031</u> | <u>11,260</u> | <u>38,291</u> | <u>249,897</u> | <u>236,223</u> |
| Other: | | | | | | | | | | |
| Bad debt | 313,306 | 58,252 | 9,189 | 23,926 | 404,673 | - | - | - | 404,673 | 381,009 |
| Information technology | 97,367 | 23,418 | 12,651 | 16,420 | 149,856 | 24,856 | 94,465 | 119,321 | 269,177 | 224,614 |
| Professional fees | 31,062 | 8,108 | 391 | 1,803 | 41,364 | 138,742 | 22,423 | 161,165 | 202,529 | 246,540 |
| Postage | 92,345 | 19,498 | 3,914 | 11,896 | 127,653 | 2 | 6 | 8 | 127,661 | 105,841 |
| Minor equipment | 31,759 | 6,136 | 12,539 | 8,694 | 59,128 | 11,925 | 17,755 | 29,680 | 88,808 | 26,197 |
| Recruiting | 27,295 | 55 | 141 | 6,812 | 34,303 | 49,572 | 142 | 49,714 | 84,017 | 10,612 |
| Patient transportation | 41,420 | 161 | 13,717 | 6,699 | 61,997 | - | 4,029 | 4,029 | 66,026 | 33,722 |
| Insurance - general | - | - | - | - | - | 25,651 | - | 25,651 | 25,651 | 25,232 |
| Equipment rental | 18,455 | 3,538 | 700 | 2,110 | 24,803 | 140 | 432 | 572 | 25,375 | 23,348 |
| Miscellaneous | 2,864 | 97 | 1,461 | 3,503 | 7,925 | 564 | 4,554 | 5,118 | 13,043 | 13,102 |
| Marketing | - | - | 1,050 | 100 | 1,150 | 2,555 | - | 2,555 | 3,705 | 4,810 |
| Total other | <u>655,873</u> | <u>119,263</u> | <u>55,753</u> | <u>81,963</u> | <u>912,852</u> | <u>254,007</u> | <u>143,806</u> | <u>397,813</u> | <u>1,310,665</u> | <u>1,095,027</u> |
| Total expenses before other support services and general and administrative allocations | 17,868,239 | 2,852,636 | 1,073,804 | 1,143,303 | 22,937,982 | 2,070,713 | 999,469 | 3,070,182 | 26,008,164 | 22,647,893 |
| Other support services allocation | 768,280 | 144,170 | 28,316 | 58,703 | 999,469 | - | (999,469) | (999,469) | - | - |
| General and administrative allocation | 1,612,155 | 259,239 | 95,339 | 103,980 | 2,070,713 | (2,070,713) | - | (2,070,713) | - | - |
| Total expenses | <u>\$ 20,248,674</u> | <u>\$ 3,256,045</u> | <u>\$ 1,197,459</u> | <u>\$ 1,305,986</u> | <u>\$ 26,008,164</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 26,008,164</u> | <u>\$ 22,647,893</u> |

The accompanying notes are an integral part of these statements.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011**

| | PROGRAM SERVICES | | | | TOTAL PROGRAM SERVICES | SUPPORTING SERVICES | | | TOTAL EXPENSES |
|--|----------------------|---------------------|-------------------|--------------------|------------------------------|---------------------------------------|------------------------------|---------------------------------|----------------------|
| | MEDICAL | DENTAL | HIV | SOCIAL SERVICES | | GENERAL AND ADMINIS- TRATIVE | OTHER SUPPORT SERVICES | TOTAL SUPPORTING SERVICES | |
| EXPENSES: | | | | | | | | | |
| Personnel and related costs: | | | | | | | | | |
| Salaries | \$ 8,078,832 | \$ 1,654,518 | \$ 430,386 | \$ 520,839 | \$ 10,684,575 | \$ 1,444,077 | \$ 154,081 | \$ 1,598,158 | \$ 12,282,733 |
| Payroll taxes and fringe benefits | 1,438,917 | 300,133 | 77,215 | 90,211 | 1,906,476 | 256,201 | 33,147 | 289,348 | 2,195,824 |
| Contracted services | 1,780,179 | 117,219 | 3,669 | 9,540 | 1,910,607 | - | - | - | 1,910,607 |
| Total personnel and related costs | <u>11,297,928</u> | <u>2,071,870</u> | <u>511,270</u> | <u>620,590</u> | <u>14,501,658</u> | <u>1,700,278</u> | <u>187,228</u> | <u>1,887,506</u> | <u>16,389,164</u> |
| Occupancy: | | | | | | | | | |
| Depreciation | 537,558 | 127,316 | 9,794 | 42,441 | 717,109 | 118,610 | 252,457 | 371,067 | 1,088,176 |
| Mortgage interest | 434,091 | 102,811 | 7,907 | 34,270 | 579,079 | 95,781 | 203,864 | 299,645 | 878,724 |
| Utilities | 84,471 | 20,006 | 1,539 | 6,669 | 112,685 | 18,638 | 40,640 | 59,278 | 171,963 |
| Security and safety | 51,475 | 12,191 | 938 | 4,064 | 68,668 | 11,358 | 24,174 | 35,532 | 104,200 |
| Housekeeping supplies | 42,434 | 10,050 | 773 | 3,350 | 56,607 | 9,363 | 19,928 | 29,291 | 85,898 |
| Repairs and maintenance | 21,989 | 13,220 | 378 | 1,636 | 37,223 | 12,213 | 10,503 | 22,716 | 59,939 |
| Telephone | 26,597 | 4,520 | 1,853 | 5,226 | 38,196 | 7,451 | 20,414 | 27,865 | 66,061 |
| Rent | 1,243 | 294 | 23 | 98 | 1,658 | 274 | 584 | 858 | 2,516 |
| Total occupancy | <u>1,199,858</u> | <u>290,408</u> | <u>23,205</u> | <u>97,754</u> | <u>1,611,225</u> | <u>273,688</u> | <u>572,564</u> | <u>846,252</u> | <u>2,457,477</u> |
| Consumables: | | | | | | | | | |
| Pharmaceutical prescriptions | 1,841,531 | - | - | - | 1,841,531 | - | - | - | 1,841,531 |
| Medical supplies | 356,876 | 110,430 | 17,613 | 2,762 | 487,681 | - | 7,477 | 7,477 | 495,158 |
| Office supplies | 85,032 | 20,635 | 4,069 | 7,010 | 116,746 | 1,492 | 314 | 1,806 | 118,552 |
| Copying and printing | 10,172 | 1,975 | 1,335 | 1,232 | 14,714 | 34 | 13 | 47 | 14,761 |
| Total consumables | <u>2,293,611</u> | <u>133,040</u> | <u>23,017</u> | <u>11,004</u> | <u>2,460,672</u> | <u>1,526</u> | <u>7,804</u> | <u>9,330</u> | <u>2,470,002</u> |
| Professional costs: | | | | | | | | | |
| Dues, subscriptions and licenses | 76,512 | 16,231 | 2,556 | 9,725 | 105,024 | 421 | 1,618 | 2,039 | 107,063 |
| Training, conferences and meetings | 38,503 | 2,884 | 6,696 | 7,680 | 55,763 | 20,134 | 13,681 | 33,815 | 89,578 |
| Insurance | 20,210 | 4,503 | 860 | 1,996 | 27,569 | - | - | - | 27,569 |
| Travel | 1,158 | - | 2,503 | 3,743 | 7,404 | 4,374 | 235 | 4,609 | 12,013 |
| Total professional costs | <u>136,383</u> | <u>23,618</u> | <u>12,615</u> | <u>23,144</u> | <u>195,760</u> | <u>24,929</u> | <u>15,534</u> | <u>40,463</u> | <u>236,223</u> |
| Other: | | | | | | | | | |
| Bad debt | 315,231 | 57,387 | 8,391 | - | 381,009 | - | - | - | 381,009 |
| Information technology | 65,618 | 17,026 | 2,678 | 15,113 | 100,435 | 49,063 | 75,116 | 124,179 | 224,614 |
| Professional fees | 46,994 | 2,017 | - | 132 | 49,143 | 197,397 | - | 197,397 | 246,540 |
| Postage | 79,700 | 15,814 | 3,230 | 7,008 | 105,752 | 12 | 77 | 89 | 105,841 |
| Minor equipment | 4,423 | 1,528 | 3,378 | 1,844 | 11,173 | 6,700 | 8,324 | 15,024 | 26,197 |
| Recruiting | 2,438 | 200 | - | 7,774 | 10,412 | 125 | 75 | 200 | 10,612 |
| Patient transportation | 24,111 | 863 | 2,169 | 4,529 | 31,672 | - | 2,050 | 2,050 | 33,722 |
| Insurance - general | - | - | - | - | - | 25,232 | - | 25,232 | 25,232 |
| Equipment rental | 3,292 | - | - | 100 | 3,392 | 18,859 | 1,097 | 19,956 | 23,348 |
| Miscellaneous | - | - | - | 5,219 | 5,219 | 880 | 7,003 | 7,883 | 13,102 |
| Marketing | - | - | 1,550 | 335 | 1,885 | 2,925 | - | 2,925 | 4,810 |
| Total other | <u>541,807</u> | <u>94,835</u> | <u>21,396</u> | <u>42,054</u> | <u>700,092</u> | <u>301,193</u> | <u>93,742</u> | <u>394,935</u> | <u>1,095,027</u> |
| Total expenses before other support services and general and administrative allocations | 15,469,587 | 2,613,771 | 591,503 | 794,546 | 19,469,407 | 2,301,614 | 876,872 | 3,178,486 | 22,647,893 |
| Other support services allocation | 674,355 | 131,865 | 22,827 | 47,825 | 876,872 | - | (876,872) | (876,872) | - |
| General and administrative allocation | 1,826,068 | 311,956 | 70,046 | 93,544 | 2,301,614 | (2,301,614) | - | (2,301,614) | - |
| Total expenses | <u>\$ 17,970,010</u> | <u>\$ 3,057,592</u> | <u>\$ 684,376</u> | <u>\$ 935,915</u> | <u>\$ 22,647,893</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 22,647,893</u> |

The accompanying notes are an integral part of these statements.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS

Brockton Neighborhood Health Center, Inc. (the Health Center) provides primary care services to residents of Brockton, Massachusetts and surrounding communities.

NONPROFIT STATUS

The Health Center is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. The Health Center is also exempt from state income taxes. Donors may deduct contributions made to the Health Center within the Internal Revenue Code regulations.

SIGNIFICANT ACCOUNTING POLICIES

The Health Center prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification.

Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings and money market accounts.

Inventory

Inventory consists of pharmacy outpatient drugs. This inventory is accounted for at the lower of cost (as determined by the first-in, first-out (FIFO) method) or market.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is recorded based on management's review of patient service receivables and their estimate of amounts that may become uncollectible. Amounts are written off as they are determined to be uncollectible.

Pledges Receivable

Pledges receivable consist of contributions committed to the Health Center. Pledges are recorded at their net present value when unconditionally committed.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation

The Health Center has a policy of capitalizing assets with a cost of \$5,000. Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair market value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

| | <u>Estimated Useful Lives</u> |
|------------------------------------|-----------------------------------|
| Building and building improvements | 10 - 40 years |
| Equipment and furnishings | 5 - 15 years |
| Medical and dental equipment | 5 - 10 years |

Depreciation expense was \$1,093,607 and \$1,088,176 for the years ended June 30, 2012 and 2011, respectively.

The Health Center accounts for the carrying value of its property and equipment in accordance with the requirements of U.S. GAAP standards on the *Impairment or Disposal of Long-lived Assets*. As of June 30, 2012, the Health Center has not recognized any impairment losses.

Revenue Recognition

Patient service revenue is recorded at the full value of those services as assigned by the Health Center as the services are provided. Net patient service revenue reflects the amounts earned after provisions for contractual allowances and free care. Contractual allowances are accrued on an estimated basis in the period the related services are rendered. Net patient service revenue is adjusted as required based on final settlements. Contractual allowances were approximately \$9,348,000 and \$8,144,000 for the years ended June 30, 2012 and 2011, respectively.

Contracts are recorded over the contract period as services are provided. Unrestricted grants and contributions are recorded as revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs are incurred or as time restrictions or program restrictions have lapsed. All other revenue is recognized as earned.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measuring Charity Care

During fiscal year 2012, the Health Center adopted the accounting standard related to *Measuring Charity Care for Disclosure* under U.S. GAAP. The Health Center has a policy of providing free care services to patients who are unable to pay. Such patients are identified based upon financial information obtained from the patient prior to services being rendered. The Health Center provided \$6,614,383 and \$6,826,719 of free care during the years ended June 30, 2012 and 2011, respectively. The cost of providing these services was \$5,888,618 and \$5,752,536 for the years ended June 30, 2012 and 2011, respectively. The cost of providing free care was calculated by multiplying the percentage of gross free care charges to gross patient charges by the total cost of providing patient services. The Health Center adjudicates claims for these services; therefore, charges for free care have been included in net patient service revenue in the accompanying statements of activities and changes in net assets. The Health Center received partial reimbursement from a third party payor for free care services of approximately \$4,097,395 and \$4,655,172 during the years ended June 30, 2012 and 2011, respectively.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Donated Services

Various organizations and individuals contribute professional and contracted services to the Health Center in support of its programs. These services are reflected as donated services in the accompanying financial statements based upon their fair market value as determined by the donors. During the years ended June 30, 2012 and 2011, the Health Center received donated services valued at \$251,293 and \$244,517, respectively.

Estimates

The preparation of financial statements in accordance with U.S. GAAP 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

The Health Center follows the *Fair Value Measurements and Disclosures* standards. These standards define fair value, establish a framework for measuring fair value under U.S. GAAP, and mandate disclosures about fair value measurements. This policy establishes a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value. The Health Center values its qualifying assets and liabilities using Level I inputs. Level I inputs reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through September 25, 2012, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements, which is the date the financial statements were available to be issued.

Tax Positions

The Health Center follows the *Accounting for Uncertainty in Income Taxes* standard which requires the Health Center to report uncertain tax positions, related interest and penalties, and to adjust its assets and liabilities related to unrecognized tax benefits and accrued interest and penalties accordingly. As of June 30, 2012, the Health Center determined that there are no material unrecognized tax benefits to report. The Health Center files income tax and information returns in the United States Federal and Massachusetts state jurisdictions. These returns are generally subject to examination by tax authorities for the last three years.

(2) NET ASSETS

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Health Center. The Health Center has grouped its unrestricted net assets into the following categories:

Operating net assets represent funds available to carry on the operations of the Health Center.

Property and Equipment net assets reflect and account for the activities relating to the Health Center's property and equipment and construction in progress, net of related debt and accounts payable.

Temporarily Restricted Net Assets

The Health Center receives contributions and grants which are designated by donors for specific purposes. These contributions are recorded as temporarily restricted net assets until they are expended for their designated purposes. Temporarily restricted net assets are restricted at June 30, 2012 and 2011, for the following:

| | <u>2012</u> | <u>2011</u> |
|----------------------|------------------|------------------|
| Purpose restrictions | \$443,243 | \$541,532 |
| Capital | <u>74,065</u> | <u>99,365</u> |
| | <u>\$517,308</u> | <u>\$640,897</u> |

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(3) FUNDING

The Health Center receives a significant portion of its total operating revenues and support (approximately 26.4% and 11.6% in fiscal years 2012 and 2011, respectively) from the U.S. Department of Health and Human Services (HHS). Payments to the Health Center are subject to audit by HHS. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Health Center as of June 30, 2012 and 2011, or on its results of operations for the years then ended.

Charges made to most third-party payors for patient services are periodically reviewed and adjusted based upon the submission of cost reports and possible subsequent audits. In the opinion of management, the effects of such determinations or adjustments, if any, will not have a material effect on the financial position of the Health Center as of June 30, 2012 and 2011, or on the changes in its net assets for the years then ended.

The Health Center is entitled to receive settlements based upon the submission of cost reports. These settlements are not readily determinable and are, therefore, recorded as revenue when received.

(4) PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

| | <u>2012</u> | <u>2011</u> |
|------------------------------------|---------------------|---------------------|
| Building and building improvements | \$10,482,911 | \$10,475,158 |
| Equipment and furnishings | 9,086,989 | 8,965,781 |
| Medical and dental equipment | 1,069,075 | 758,567 |
| Land | 599,984 | 599,984 |
| | <u>21,238,959</u> | <u>20,799,490</u> |
| Less - accumulated depreciation | <u>5,128,308</u> | <u>4,034,701</u> |
| | <u>\$16,110,651</u> | <u>\$16,764,789</u> |

(5) LINE OF CREDIT

The Health Center has available up to \$750,000 under a line of credit agreement with a bank. Borrowings under the agreement are due on demand and interest is payable monthly at the bank's prime rate (3.75% and 3.25% at June 30, 2012 and 2011, respectively). The line of credit is secured by accounts receivable. The agreement expired in December, 2011 and was renewed under the same terms through March, 2013. There was no balance outstanding under this agreement at June 30, 2012 and 2011.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(6) NOTES PAYABLE

In October, 2006, the Health Center entered into a \$13.3 million note agreement with NCBCD CDE 9, LLC, a Delaware limited liability company (the Company). The note proceeds were used to finance the construction of the Health Center's building. This note bears interest at a fixed rate of 6.6129% through maturity on October 27, 2016. Interest only was due monthly through October, 2009. Beginning November, 2009, principal and interest are due monthly based on a twenty-seven year amortization schedule through the maturity date. This note may not be prepaid at any time prior to October 27, 2013 (the 7th Anniversary). On the 7th Anniversary, the Health Center is required to make a mandatory prepayment of \$139,604 and within thirty days after the 7th Anniversary, the Health Center will have the right to make one additional prepayment, in any amount, without penalty. Thereafter, this note may be prepaid in whole or in part provided the Health Center gives the Company at least 30 days written notice of prepayment and the Health Center is not in default under the terms of the note agreement. This note is secured by the building, assignment of leases and rents, and a guaranty of 80% of the principal balance of the note for the life of the note by Health Resources and Services Administration (HRSA), a Federal agency. As of June 30, 2012 and 2011, the balance of the note was \$12,818,180 and \$13,007,226, respectively.

In March, 2009, the Health Center entered into a \$39,924 non-interest bearing note agreement with Susquehanna Commercial Finance to purchase new accounting software (see Note 11). Principal was due in monthly installments of \$1,664 through April, 2011. The Health Center paid the first and last payments in advance as required under the note agreement. During fiscal year 2011, the note was paid in full.

Future minimum principal payments under these agreements for the next five years are as follows:

| | |
|------|-----------|
| 2013 | \$208,697 |
| 2014 | \$368,003 |
| 2015 | \$248,011 |
| 2016 | \$264,918 |
| 2017 | \$282,977 |

(7) LEASE AGREEMENTS

Eaton Apothecary (the Pharmacy) rents space from the Health Center under a lease which expires on October 31, 2012, with an option to renew for an additional five-year term. Annual fixed rental income is \$31,000, plus a pro-rata share of certain operating expenses. Rental income under the lease was approximately \$45,600 and \$42,900 for the years ended June 30, 2012 and 2011, respectively, and is included in miscellaneous revenue in the accompanying statements of activities and changes in net assets. Future minimum lease payments under this agreement for each year through the lease maturity date are \$31,000.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(7) LEASE AGREEMENTS (Continued)

In April, 2011, the Health Center entered into lease agreements with Steward Good Samaritan Medical Center, Inc. (Good Samaritan), under which Good Samaritan leases space and equipment from the Health Center. The leases expire five years from the commencement date and are extended automatically for an unlimited number of successive one year periods unless the Health Center or Good Samaritan provides in advance a sixty days written notice to terminate the leases. The leases commenced in December, 2011. Future minimum lease payments under these agreements for each of the next five years are \$47,600 for space and \$37,743 for equipment. Rental income under these leases was approximately \$53,200 for the year ended June 30, 2012 and is included in miscellaneous revenue in the accompanying statement of activities. There was no rental income under these agreements during the year ended June 30, 2011.

(8) CONCENTRATION OF CREDIT RISK

The Health Center maintains its operating cash balances in Massachusetts banks. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Health Center has not experienced any losses in such accounts. The Health Center believes it is not exposed to any significant credit risk on its operating cash balance.

(9) RELATED PARTY TRANSACTIONS

A member of the Board of Directors is an employee of an Organization from which the Health Center received services. During fiscal years 2012 and 2011, the Health Center paid the Organization \$28,202 and \$48,392, respectively, for services provided.

(10) TAX DEFERRED 403(B) PLAN

The Health Center maintains a tax deferred 403(b) retirement plan, under which the Health Center matches 100% of employee contributions to the plan, up to 3% of an employee's total annual compensation. The Health Center's contribution to this plan was \$240,356 and \$164,856 for the years ended June 30, 2012 and 2011, respectively, and is included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

(11) CONSTRUCTION IN PROGRESS

As of June 30, 2012 and 2011, construction in progress consists of costs relating to the construction of four additional floors (the Project) and capital equipment. The cost of the Project, including furniture and equipment, is expected to be approximately \$11.3 million. The Project is fully funded by the grant award of approximately \$11,355,000 from HRSA under the Affordable Care Act Program (ACA grant). The ACA grant is drawn down based on certain disbursement requirements as outlined in the grant agreement. Construction began in October, 2011, and was substantially completed in September, 2012. Total construction in progress incurred and related to the Project as of June 30, 2012 and 2011 was \$8,155,491 and \$274,254, respectively. Total construction in progress incurred and related to capital equipment as of June 30, 2012 and 2011 was \$33,256 and \$31,208, respectively.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(12) PLEDGES RECEIVABLE

Pledges receivable at June, 30 are due as follows:

| <u>Fiscal Year</u> | <u>2012</u> | <u>2011</u> |
|--------------------------|------------------|------------------|
| Due within one year | \$100,000 | \$116,912 |
| Due in two to five years | <u>200,000</u> | <u>300,000</u> |
| | 300,000 | 416,912 |
| Less - discount | 17,139 | 28,363 |
| Less - reserve | <u>4,698</u> | <u>4,698</u> |
| | 278,163 | 383,851 |
| Less - current portion | <u>100,000</u> | <u>114,941</u> |
| | <u>\$178,163</u> | <u>\$268,910</u> |

One foundation's pledge balance represents approximately 100% and 96% of the total outstanding pledges as of June 30, 2012 and 2011, respectively.

The pledges have been discounted using a 3% rate.

(13) RECLASSIFICATION

Certain amounts in the 2011 financial statements have been reclassified to conform with the 2012 presentation.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.

**SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS –
NOT-FOR-PROFIT ORGANIZATION
FOR THE YEAR ENDED JUNE 30, 2012**

| <u>FEDERAL GRANTOR/ PASS-THROUGH PROGRAM TITLE</u> | <u>FEDERAL CFDA NUMBER</u> | <u>HEALTH CENTER OR PASS-THROUGH NUMBER</u> | <u>EXPENSES</u> |
|--|------------------------------------|---|----------------------------|
| <u>U.S. Department of Health and Human Services</u> | | | |
| Direct: | | | |
| Health Resources and Services Administration, Bureau of Primary Health Care, Facility Loan Guarantee Program | 93.XXX | N/A | \$10,405,781 * |
| Affordable Care Act (ACA) Grants for Capital Development in Health Centers | 93.526 | N/A | 7,912,343 |
| Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers) | 93.224 | N/A | 1,719,990 |
| Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease | 93.918 | N/A | 344,542 |
| Health Care and Other Facilities | 93.887 | N/A | 279,385 |
| Community Services Block Grant - Discretionary Awards | 93.570 | N/A | 107,877 |
| Pass-through Commonwealth of Massachusetts, Department of Public Health: | | | |
| HIV Care Formula Grants | 93.917 | 4943MM3200120010 | 105,000 |
| Coordinated Services and Access to Research for Women, Infants, Children, and Youth | 93.153 | 3712MM3200815241 | 83,333 |
| HIV Prevention Activities_Health Department Based | 93.940 | 4942MM3100119032 | 20,992 |
| Public Health and Social Services Emergency Fund | 93.003 | 5189MM3W20712035 | 75,000 |
| Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups | 93.943 | 4942MM3100119032 | 20,500 |
| Refugee and Entrant Assistance_State Administered Programs | 93.566 | 5189MM3600914028 | <u>11,378</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$21,086,121</u> |

* This amount is a loan guarantee.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.

**SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS –
NOT-FOR-PROFIT ORGANIZATION
FOR THE YEAR ENDED JUNE 30, 2012**

(Continued)

NOTE 1: BASIS OF PRESENTATION

The accompanying supplementary schedule of expenditures of federal awards includes the Federal assistance activity of the Health Center and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Where Every Client Is A Valued Client

**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 of
Brockton Neighborhood Health Center, Inc.:

We have audited the financial statements of Brockton Neighborhood Health Center, Inc. (the Health Center) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 25, 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

In planning and performing our audit, we considered the Health Center'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 Health Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Health Center'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 Health Center's financial statements will not be prevented, or detected and corrected on a timely basis.

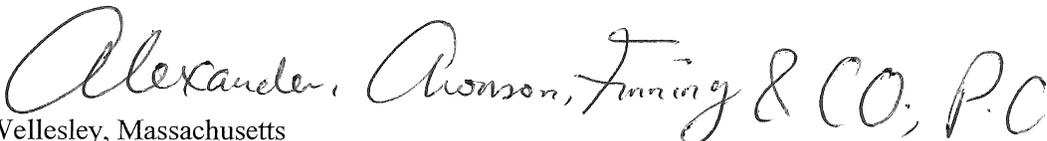
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. 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 Health Center'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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Health Center in a separate letter dated September 25, 2012.

This report is intended solely for the information and use of the Board of Directors, management, others within the Health Center, 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.


Wellesley, Massachusetts
September 25, 2012



CERTIFIED PUBLIC ACCOUNTANTS
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**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**

Independent Auditor's Report

To the Board of Directors of
Brockton Neighborhood Health Center, Inc.:

Compliance

We have audited the Brockton Neighborhood Health Center, Inc.'s (the Health Center) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Health Center's major Federal programs for the year ended June 30, 2012. The Health Center's major Federal programs are identified in the summary of auditor's 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 Health Center's management. Our responsibility is to express an opinion on the Health Center'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 Health Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Health Center's compliance with those requirements.

In our opinion, the Health Center 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 June 30, 2012.

Internal Control Over Compliance

Management of the Health Center 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 Health Center'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 Health Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal 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 Board of Directors, 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.

Alexander, Aronson, Finnig & Co., P.C.
Wellesley, Massachusetts
September 25, 2012

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

An unqualified opinion was issued on the financial statements of the auditee.

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

An unqualified opinion was issued on compliance for major programs.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes No

Identification of major programs:

| <u>Program or Cluster Title</u> | Federal CFDA Number |
|--|------------------------------------|
| Affordable Care Act (ACA) Grants for Capital Development in Health Centers | 93.526 |
| Health Care and Other Facilities | 93.887 |

The dollar threshold used to distinguish between Type A and Type B programs was \$623,260.

Auditee qualified as low-risk auditee? Yes No

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

(Continued)

**II. FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

None

III. FINDINGS AND QUESTIONS COSTS FOR FEDERAL AWARDS

None