



**Brockton  
Neighborhood  
Health Center**

**FINANCIAL STATEMENTS IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS AND  
OMB CIRCULAR A-133  
JUNE 30, 2014 AND 2013  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT**

**BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.**

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JUNE 30, 2014 AND 2013**

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**UNMODIFIED OPINION ON FINANCIAL STATEMENTS ACCOMPANIED BY OTHER  
INFORMATION – NOT-FOR-PROFIT ENTITY**

**Independent Auditor's Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of Brockton Neighborhood Health Center, Inc. (a Massachusetts corporation, not for profit) (the Health Center) which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

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

***Other Matters***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards for the year ended June 30, 2014, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2014, 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 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 Health Center's internal control over financial reporting and compliance.

*Alexander, Brown, Pinning & Co., P.C.*

Wellesley, Massachusetts  
October 22, 2014

**BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.**

**STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2014 AND 2013**

<u>ASSETS</u>	<u>2014</u>			<u>2013</u>		
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
	<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 1,775,538	\$ 440,588	\$ 2,216,126	\$ 1,321,941	\$ 526,208	\$ 1,848,149
Patient service fees receivable, net of contractual allowances and allowance for doubtful accounts of \$1,461,954 and \$1,464,355 at June 30, 2014 and 2013, respectively	4,037,974	-	4,037,974	3,791,644	-	3,791,644
Contracts and grants receivable	374,362	-	374,362	345,970	-	345,970
Current portion of pledges receivable	100,000	-	100,000	100,000	-	100,000
Inventory and other	369,568	-	369,568	456,475	-	456,475
Total current assets	<u>6,657,442</u>	<u>440,588</u>	<u>7,098,030</u>	<u>6,016,030</u>	<u>526,208</u>	<u>6,542,238</u>
<b>PLEDGES RECEIVABLE</b> , net of current portion and reserve	-	-	-	95,302	-	95,302
<b>PROPERTY AND EQUIPMENT</b> , net	24,992,962	-	24,992,962	26,098,428	-	26,098,428
<b>CONSTRUCTION IN PROGRESS</b>	<u>750,940</u>	<u>-</u>	<u>750,940</u>	<u>103,533</u>	<u>-</u>	<u>103,533</u>
Total assets	<u>\$ 32,401,344</u>	<u>\$ 440,588</u>	<u>\$ 32,841,932</u>	<u>\$ 32,313,293</u>	<u>\$ 526,208</u>	<u>\$ 32,839,501</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>						
<b>CURRENT LIABILITIES:</b>						
Current portion of long-term debt	\$ 168,600	\$ -	\$ 168,600	\$ 368,003	\$ -	\$ 368,003
Accounts payable	345,071	-	345,071	437,697	-	437,697
Accounts payable - construction in progress	13,749	-	13,749	78,768	-	78,768
Accrued expenses	1,828,154	-	1,828,154	1,553,808	-	1,553,808
Total current liabilities	<u>2,355,574</u>	<u>-</u>	<u>2,355,574</u>	<u>2,438,276</u>	<u>-</u>	<u>2,438,276</u>
<b>LONG-TERM DEBT</b> , net of current portion	9,179,600	-	9,179,600	12,245,652	-	12,245,652
<b>ACCUMULATED UNREALIZED LOSS ON INTEREST RATE SWAP CONTRACT</b>	<u>444,899</u>	<u>-</u>	<u>444,899</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>11,980,073</u>	<u>-</u>	<u>11,980,073</u>	<u>14,683,928</u>	<u>-</u>	<u>14,683,928</u>
<b>NET ASSETS:</b>						
Unrestricted:						
Operating	4,484,217	-	4,484,217	4,119,827	-	4,119,827
Property and equipment	15,937,054	-	15,937,054	13,509,538	-	13,509,538
Total unrestricted	<u>20,421,271</u>	<u>-</u>	<u>20,421,271</u>	<u>17,629,365</u>	<u>-</u>	<u>17,629,365</u>
Temporarily restricted	-	440,588	440,588	-	526,208	526,208
Total net assets	<u>20,421,271</u>	<u>440,588</u>	<u>20,861,859</u>	<u>17,629,365</u>	<u>526,208</u>	<u>18,155,573</u>
Total liabilities and net assets	<u>\$ 32,401,344</u>	<u>\$ 440,588</u>	<u>\$ 32,841,932</u>	<u>\$ 32,313,293</u>	<u>\$ 526,208</u>	<u>\$ 32,839,501</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, 2014 AND 2013**

	2014			2013		
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
<b>OPERATING REVENUE AND SUPPORT:</b>						
Net patient service revenue	\$ 27,788,190	\$ -	\$ 27,788,190	\$ 24,873,591	\$ -	\$ 24,873,591
Contracts and grants	3,529,325	753,635	4,282,960	3,126,191	460,919	3,587,110
Contributions	1,464,272	-	1,464,272	1,026,760	-	1,026,760
Donated services	277,807	-	277,807	246,673	-	246,673
Miscellaneous	262,980	-	262,980	259,792	-	259,792
Net assets released from purpose restrictions	754,254	(754,254)	-	489,519	(489,519)	-
Total operating revenue and support	<u>34,076,828</u>	<u>(619)</u>	<u>34,076,209</u>	<u>30,022,526</u>	<u>(28,600)</u>	<u>29,993,926</u>
<b>OPERATING EXPENSES:</b>						
Medical	22,624,082	-	22,624,082	20,608,327	-	20,608,327
Dental	4,095,434	-	4,095,434	3,319,150	-	3,319,150
HIV	1,078,604	-	1,078,604	1,073,282	-	1,073,282
Social Services	2,658,820	-	2,658,820	2,058,372	-	2,058,372
General and Administrative	2,727,990	-	2,727,990	2,178,170	-	2,178,170
Other Support Services	1,458,324	-	1,458,324	1,109,312	-	1,109,312
Total operating expenses	<u>34,643,254</u>	<u>-</u>	<u>34,643,254</u>	<u>30,346,613</u>	<u>-</u>	<u>30,346,613</u>
Changes in net assets from operations	<u>(566,426)</u>	<u>(619)</u>	<u>(567,045)</u>	<u>(324,087)</u>	<u>(28,600)</u>	<u>(352,687)</u>
<b>NON-OPERATING REVENUES:</b>						
Forgiveness of debt	3,228,066	-	3,228,066	-	-	-
Capital grants and contributions	351,100	139,064	490,164	3,074,356	62,500	3,136,856
Net assets released from capital restrictions	224,065	(224,065)	-	25,000	(25,000)	-
Unrealized loss on carrying value of interest rate swap contract	(444,899)	-	(444,899)	-	-	-
Total non-operating revenues	<u>3,358,332</u>	<u>(85,001)</u>	<u>3,273,331</u>	<u>3,099,356</u>	<u>37,500</u>	<u>3,136,856</u>
Changes in net assets	2,791,906	(85,620)	2,706,286	2,775,269	8,900	2,784,169
<b>NET ASSETS, beginning of year</b>	<u>17,629,365</u>	<u>526,208</u>	<u>18,155,573</u>	<u>14,854,096</u>	<u>517,308</u>	<u>15,371,404</u>
<b>NET ASSETS, end of year</b>	<u>\$ 20,421,271</u>	<u>\$ 440,588</u>	<u>\$ 20,861,859</u>	<u>\$ 17,629,365</u>	<u>\$ 526,208</u>	<u>\$ 18,155,573</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, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 2,706,286	\$ 2,784,169
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,622,234	1,317,606
Bad debt	527,991	457,406
Unrealized loss on carrying value of interest rate swap contract	444,899	-
Capital grants and contributions	(490,164)	(3,136,856)
Forgiveness of debt	(3,228,066)	-
Changes in operating assets and liabilities:		
Patient service fees receivable	(774,321)	(1,577,521)
Contracts and grants receivable	(28,392)	(254,721)
Pledges receivable	95,302	82,861
Inventory and other	86,907	(107,137)
Accounts payable	(92,626)	5,845
Accrued expenses	274,346	85,529
	<u>1,144,396</u>	<u>(342,819)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of property and equipment	(413,235)	(79,250)
Acquisition of construction in progress	(815,959)	(4,577,695)
	<u>(1,229,194)</u>	<u>(4,656,945)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Capital grants and contributions received	490,164	4,639,900
Principal payments on long-term debt, net	(37,389)	(204,525)
	<u>452,775</u>	<u>4,435,375</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	367,977	(564,389)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>1,848,149</u>	<u>2,412,538</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 2,216,126</u>	<u>\$ 1,848,149</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid for interest	<u>\$ 653,103</u>	<u>\$ 853,271</u>
Construction in progress acquired through financing or accounts payable	<u>\$ 13,749</u>	<u>\$ 78,768</u>
Construction in progress transferred to property and equipment	<u>\$ 103,533</u>	<u>\$ 11,226,133</u>
Proceeds from long-term debt refinanced	<u>\$ 9,431,000</u>	<u>\$ -</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, 2014**

(With Summarized Comparative Totals for the Year Ended June 30, 2013)

EXPENSES:	2014								2013	
	PROGRAM SERVICES				SUPPORTING SERVICES				TOTAL EXPENSES	
	MEDICAL	DENTAL	HIV	SOCIAL SERVICES	TOTAL PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	OTHER SUPPORT SERVICES	TOTAL SUPPORTING SERVICES		
Personnel and related costs:										
Salaries	\$ 12,192,352	\$ 2,454,481	\$ 748,964	\$ 1,937,334	\$ 17,333,131	\$ 1,706,765	\$ 302,544	\$ 2,009,309	\$ 19,342,440	\$ 16,935,579
Payroll taxes and fringe benefits	2,162,868	496,637	165,459	357,866	3,182,830	350,434	260,538	610,972	3,793,802	3,259,926
Contracted services	2,414,521	291,363	4,343	22,354	2,732,581	-	-	-	2,732,581	2,494,017
Total personnel and related costs	<u>16,769,741</u>	<u>3,242,481</u>	<u>918,766</u>	<u>2,317,554</u>	<u>23,248,542</u>	<u>2,057,199</u>	<u>563,082</u>	<u>2,620,281</u>	<u>25,868,823</u>	<u>22,689,522</u>
Occupancy:										
Depreciation	841,465	187,518	29,940	85,092	1,144,015	116,606	361,613	478,219	1,622,234	1,317,606
Mortgage interest	322,993	71,978	11,492	32,662	439,125	44,759	120,971	165,730	604,855	853,271
Utilities	142,128	31,673	5,057	14,373	193,231	19,696	53,232	72,928	266,159	233,608
Security and safety	71,816	16,004	2,555	7,262	97,637	9,952	26,897	36,849	134,486	128,255
Repairs and maintenance	41,780	26,291	1,475	4,151	73,697	5,661	24,844	30,505	104,202	79,795
Housekeeping supplies	53,371	11,894	1,899	5,397	72,561	7,396	19,989	27,385	99,946	103,210
Telephone	32,926	2,982	3,582	7,269	46,759	7,170	21,903	29,073	75,832	72,065
Storage and rent	7,059	1,574	251	714	9,598	980	2,643	3,623	13,221	18,817
Total occupancy	<u>1,513,538</u>	<u>349,914</u>	<u>56,251</u>	<u>156,920</u>	<u>2,076,623</u>	<u>212,220</u>	<u>632,092</u>	<u>844,312</u>	<u>2,920,935</u>	<u>2,806,627</u>
Consumables:										
Pharmaceutical prescriptions	2,380,583	-	-	-	2,380,583	-	-	-	2,380,583	2,113,896
Medical supplies	725,413	257,995	13,495	19,826	1,016,729	297	9,183	9,480	1,026,209	806,672
Office supplies	82,637	17,658	3,168	10,771	114,234	12,003	1,291	13,294	127,528	105,263
Copying and printing	15,270	3,183	1,262	3,129	22,844	34	5,826	5,860	28,704	20,824
Total consumables	<u>3,203,903</u>	<u>278,836</u>	<u>17,925</u>	<u>33,726</u>	<u>3,534,390</u>	<u>12,334</u>	<u>16,300</u>	<u>28,634</u>	<u>3,563,024</u>	<u>3,046,655</u>
Professional costs:										
Dues, subscriptions and licenses	108,374	22,867	4,286	15,244	150,771	138	350	488	151,259	102,766
Training, conferences and meetings	30,282	4,370	17,186	13,874	65,712	33,308	41,960	75,268	140,980	120,726
Insurance	21,853	4,050	741	2,912	29,556	-	-	-	29,556	24,650
Travel	964	-	7,440	3,894	12,298	7,891	4,855	12,746	25,044	19,684
Total professional costs	<u>161,473</u>	<u>31,287</u>	<u>29,653</u>	<u>35,924</u>	<u>258,337</u>	<u>41,337</u>	<u>47,165</u>	<u>88,502</u>	<u>346,839</u>	<u>267,826</u>
Other:										
Bad debt	382,649	95,888	11,463	37,991	527,991	-	-	-	527,991	457,406
Professional fees	116,093	10,036	16,833	11,387	154,349	311,454	18,794	330,248	484,597	365,788
Information technology	126,571	54,084	14,492	27,304	222,451	29,238	143,228	172,466	394,917	316,062
Postage	119,800	24,951	4,564	18,141	167,456	2	5	7	167,463	143,558
Recruiting	125,343	27	1	2,658	128,029	7,052	18,838	25,890	153,919	64,756
Patient transportation	63,520	34	5,682	6,426	75,662	4,125	-	4,125	79,787	57,728
Insurance - general	-	-	-	-	-	43,376	-	43,376	43,376	31,707
Minor equipment	19,337	3,099	2,129	1,220	25,785	6,051	10,195	16,246	42,031	56,021
Equipment rental	22,114	4,614	841	3,833	31,402	82	221	303	31,705	31,511
Miscellaneous	-	183	4	5,166	5,353	1,370	8,404	9,774	15,127	8,551
Marketing	-	-	-	570	570	2,150	-	2,150	2,720	2,895
Total other	<u>975,427</u>	<u>192,916</u>	<u>56,009</u>	<u>114,696</u>	<u>1,339,048</u>	<u>404,900</u>	<u>199,685</u>	<u>604,585</u>	<u>1,943,633</u>	<u>1,535,983</u>
Total expenses before other support services and general and administrative allocations	22,624,082	4,095,434	1,078,604	2,658,820	30,456,940	2,727,990	1,458,324	4,186,314	34,643,254	30,346,613
Other support services allocation	1,068,045	222,438	40,151	127,690	1,458,324	-	(1,458,324)	(1,458,324)	-	-
General and administrative allocation	2,025,108	369,075	95,627	238,180	2,727,990	(2,727,990)	-	(2,727,990)	-	-
Total expenses	<u>\$ 25,717,235</u>	<u>\$ 4,686,947</u>	<u>\$ 1,214,382</u>	<u>\$ 3,024,690</u>	<u>\$ 34,643,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,643,254</u>	<u>\$ 30,346,613</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, 2013**

	PROGRAM SERVICES				SUPPORTING SERVICES				TOTAL EXPENSES
	MEDICAL	DENTAL	HIV	SOCIAL SERVICES	TOTAL PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	OTHER SUPPORT SERVICES	TOTAL SUPPORTING SERVICES	
<b>EXPENSES:</b>									
Personnel and related costs:									
Salaries	\$ 11,054,631	\$ 2,001,878	\$ 776,351	\$ 1,472,586	\$ 15,305,446	\$ 1,367,598	\$ 262,535	\$ 1,630,133	\$ 16,935,579
Payroll taxes and fringe benefits	2,096,283	379,335	145,998	269,403	2,891,019	308,867	60,040	368,907	3,259,926
Contracted services	2,266,100	204,435	3,764	19,718	2,494,017	-	-	-	2,494,017
Total personnel and related costs	<u>15,417,014</u>	<u>2,585,648</u>	<u>926,113</u>	<u>1,761,707</u>	<u>20,690,482</u>	<u>1,676,465</u>	<u>322,575</u>	<u>1,999,040</u>	<u>22,689,522</u>
Occupancy:									
Depreciation	703,601	156,795	25,034	71,151	956,581	97,504	263,521	361,025	1,317,606
Mortgage interest	455,647	101,539	16,212	46,077	619,475	63,142	170,654	233,796	853,271
Utilities	124,746	27,799	4,439	12,615	169,599	17,287	46,722	64,009	233,608
Security and safety	68,488	15,262	2,437	6,926	93,113	9,491	25,651	35,142	128,255
Repairs and maintenance	30,312	15,980	1,038	3,234	50,564	3,785	25,446	29,231	79,795
Housekeeping supplies	54,580	12,163	1,942	5,519	74,204	7,563	21,443	29,006	103,210
Telephone	31,072	2,911	2,255	8,364	44,602	7,770	19,693	27,463	72,065
Storage and rent	10,048	2,240	358	1,016	13,662	1,392	3,763	5,155	18,817
Total occupancy	<u>1,478,494</u>	<u>334,689</u>	<u>53,715</u>	<u>154,902</u>	<u>2,021,800</u>	<u>207,934</u>	<u>576,893</u>	<u>784,827</u>	<u>2,806,627</u>
Consumables:									
Pharmaceutical prescriptions	2,113,896	-	-	-	2,113,896	-	-	-	2,113,896
Medical supplies	591,228	192,321	16,792	6,035	806,376	22	274	296	806,672
Office supplies	74,163	18,455	2,754	9,087	104,459	217	587	804	105,263
Copying and printing	10,730	3,087	5,192	1,815	20,824	-	-	-	20,824
Total consumables	<u>2,790,017</u>	<u>213,863</u>	<u>24,738</u>	<u>16,937</u>	<u>3,045,555</u>	<u>239</u>	<u>861</u>	<u>1,100</u>	<u>3,046,655</u>
Professional costs:									
Dues, subscriptions and licenses	75,194	15,510	2,355	9,118	102,177	159	430	589	102,766
Training, conferences and meetings	40,496	5,336	11,462	14,268	71,562	30,495	18,669	49,164	120,726
Insurance	17,739	3,650	667	2,594	24,650	-	-	-	24,650
Travel	2,605	117	5,678	4,715	13,115	4,496	2,073	6,569	19,684
Total professional costs	<u>136,034</u>	<u>24,613</u>	<u>20,162</u>	<u>30,695</u>	<u>211,504</u>	<u>35,150</u>	<u>21,172</u>	<u>56,322</u>	<u>267,826</u>
Other:									
Bad debt	339,124	78,592	8,854	30,836	457,406	-	-	-	457,406
Professional fees	82,474	21,978	13,811	10,785	129,048	193,170	43,570	236,740	365,788
Information technology	109,875	29,350	12,255	18,246	169,726	26,098	120,238	146,336	316,062
Postage	102,756	21,395	3,851	15,520	143,522	10	26	36	143,558
Recruiting	63,776	202	1	465	64,444	27	285	312	64,756
Patient transportation	45,626	532	5,197	6,373	57,728	-	-	-	57,728
Insurance - general	-	-	-	-	-	31,707	-	31,707	31,707
Minor equipment	20,140	3,615	3,754	4,026	31,535	5,410	19,076	24,486	56,021
Equipment rental	22,353	4,524	809	3,228	30,914	161	436	597	31,511
Miscellaneous	644	149	22	3,556	4,371	-	4,180	4,180	8,551
Marketing	-	-	-	1,096	1,096	1,799	-	1,799	2,895
Total other	<u>786,768</u>	<u>160,337</u>	<u>48,554</u>	<u>94,131</u>	<u>1,089,790</u>	<u>258,382</u>	<u>187,811</u>	<u>446,193</u>	<u>1,535,983</u>
Total expenses before other support services and general and administrative allocations	20,608,327	3,319,150	1,073,282	2,058,372	27,059,131	2,178,170	1,109,312	3,287,482	30,346,613
Other support services allocation	848,564	154,884	27,367	78,497	1,109,312	-	(1,109,312)	(1,109,312)	-
General and administrative allocation	1,659,189	268,635	85,109	165,237	2,178,170	(2,178,170)	-	(2,178,170)	-
Total expenses	<u>\$ 23,116,080</u>	<u>\$ 3,742,669</u>	<u>\$ 1,185,758</u>	<u>\$ 2,302,106</u>	<u>\$ 30,346,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,346,613</u>

*The accompanying notes are an integral part of these statements.*

**BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

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

**OPERATIONS**

Brockton Neighborhood Health Center, Inc. (the Health Center) is a non-profit, multicultural, community health center. Incorporated in 1992, the Health Center began providing services in 1994 in a mobile medical van operating out of a church parking lot. Since then, the Health Center has rapidly grown to provide desperately needed services to low-income and marginalized populations in the greater Brockton area. The Health Center is committed to providing care that is responsive to community health needs and is linguistically, culturally and financially accessible. The services available to the 26,000 patients includes adult primary care, pediatric care, OB/GYN care, medical urgent care, dental services, vision services, mental health services, pharmacy, lab, x-ray, neurology, nephrology, gastroenterology, ophthalmology and nutrition consultations. The Health Center serves all patients regardless of their ability to pay or their insurance status.

The Health Center serves an extremely diverse patient population including Brazilian, Cape Verdean, Haitian, Latino, Portuguese, African American, and Caucasian. Nearly 43% of the patients served are non-English speakers. The Health Center is committed to providing culturally competent care. As a result of this commitment, the Health Center's workforce is extremely diverse, with almost 80% of its staff representing ethnic and linguistic minorities. The vast majority (71%) of the Health Center's active patients reside in Brockton, with an additional 7% living in Stoughton and Taunton. Another combined 8% reside in Randolph, Rockland, Abington, Weymouth, and Bridgewater.

The Health Center is accredited by the Joint Commission (formally known as The Joint Commission for the Accreditation of Healthcare Organizations) and is recognized as a patient centered medical home by the National Committee for Quality Assurance.

BNHC at Vicente's Inc. (BNHCV) was formed in April, 2014, to develop, operate and lease real estate in Brockton, Massachusetts, specifically to the Health Center. The Health Center, acting through its Board of Directors, is the sole member of BNHCV. BNHCV had no activity in 2014. The Health Center began incurring construction costs relating to the renovation of the real estate that BNHCV will own and operate (see Notes 10 and 13).

**NONPROFIT STATUS**

The Health Center and BNHCV, collectively the Agency, are exempt from Federal income taxes as organizations (not private foundations) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Agency is also exempt from state income taxes. Donors may deduct contributions made to the Agency within the IRC 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 (ASC).

Cash and Cash Equivalents

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

**BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013  
(Continued)**

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Patient Service Fees Receivable

Accounts receivable are stated at unpaid balances, less allowances for doubtful accounts and contractual allowances. The Health Center provides for losses on patient service fees receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of patients to meet their obligations. Receivables are considered impaired if full payments are not received in accordance with the contractual terms. It is the Health Center's policy to charge-off uncollectible accounts receivable when management determines the receivable will not be collected.

Pledges Receivable

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

Contracts and Grants Receivables

Contracts and other receivables are expected to be collected in the subsequent year. The allowance for doubtful accounts is based on management's best estimate of the amount of probable credit losses on contracts receivable. During the years ended June 30, 2014 and 2013, there was no allowance recorded as all receivables were deemed to be collectable.

Property and Equipment and Depreciation

The Health Center has a policy of capitalizing assets with a cost over \$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. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

Building and building improvements	10 - 40 years
Equipment and furnishings	5 - 15 years
Medical and dental equipment	5 - 10 years
Land	N/A

Depreciation expense was \$1,622,234 and \$1,317,606 for the years ended June 30, 2014 and 2013, 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, 2014, the Health Center has not recognized any impairment losses.

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.

**BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013  
(Continued)**

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 \$11,447,000 and \$9,766,000 for the years ended June 30, 2014 and 2013, 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 and are shown as net assets released from restrictions on the accompanying statements of activities and changes in net assets. All other revenue is recognized as earned.

Measuring Charity Care

The Health Center follows 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 approximately \$6,170,000 and \$6,262,000 of free care during the years ended June 30, 2014 and 2013, respectively. The cost of providing these services was approximately \$5,600,000 and \$5,700,000 for the years ended June 30, 2014 and 2013, 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 \$6,643,000 and \$6,359,000 during the years ended June 30, 2014 and 2013, respectively.

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, 2014 and 2013, the Health Center received donated services valued at \$277,807 and \$246,673, 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.

**BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

(Continued)

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

ASC Topic, *Fair Value Measurements*, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The standards establish a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value.

The three levels of the fair value hierarchy are as follows:

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. Instruments which are generally included in this category include equity and debt securities publicly traded on an exchange.
- Level 2 – Inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 – Inputs that are unobservable and which require significant judgment or estimation.

An 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.

Subsequent Events

Subsequent events have been evaluated through October 22, 2014, 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.

Income Taxes

The Health Center accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statement regarding a tax position taken or expected to be taken in a tax return. The Health Center has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2014 and 2013. The Health Center's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

**BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013  
(Continued)**

**(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 were restricted at June 30, 2014 and 2013, for the following:

	<u>2014</u>	<u>2013</u>
Programs	\$414,024	\$414,643
Capital	<u>26,564</u>	<u>111,565</u>
	<u>\$440,588</u>	<u>\$526,208</u>

**(3) FUNDING**

The Health Center receives a significant portion of its total revenues and support (approximately 8.8% and 17.5% in fiscal years 2014 and 2013, 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, 2014 and 2013, or on the changes in their net assets 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, 2014 and 2013, 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.

**BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013  
(Continued)**

**(4) PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Building and building improvements	\$16,965,298	\$16,888,959
Equipment and furnishings	13,082,112	12,179,992
Medical and dental equipment	2,413,716	2,875,407
Land	<u>599,984</u>	<u>599,984</u>
	33,061,110	32,544,342
Less - accumulated depreciation	<u>8,068,148</u>	<u>6,445,914</u>
	<u>\$24,992,962</u>	<u>\$26,098,428</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 London Interbank Offered Rate (LIBOR) Advantage Interest Rate (3.75% at June 30, 2014), as defined in the agreement, plus 2.5% per annum. The line of credit is cross-collateralized with the bonds payable (see Note 6). There was no balance outstanding under this agreement at June 30, 2014 and 2013.

**(6) LONG-TERM DEBT**

NCBCD Note

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 main building. This note bore interest at a fixed rate of 6.6129% through maturity on October 27, 2013 (the 7<sup>th</sup> Anniversary), at which point the Health Center was required to make a mandatory prepayment of \$139,604. During fiscal year 2014, NCBCD forgave a portion of the note balance and the Health Center exercised their right to prepay the remainder of the note balance with the proceeds from the bond financing (see below). The total loan forgiveness for the year ended June 30, 2014, was \$3,228,066 and is included in non-operating revenue in the accompanying statement of activities and changes in net assets. This note was secured by the building, assignment of leases and rents, and a guaranty of 80% of the principal balance of the note by the Health Resources and Services Administration (HRSA), a Federal agency. As of June 30, 2013, the balance of the note was \$12,613,655.

Bonds Payable

During December, 2013, the Health Center entered into an agreement with the Massachusetts Development Finance Agency (MDFA) and a bank in connection with the issuance of \$9,431,000 of MDFA Revenue Bonds Series 2013 (the Bonds). The Bonds were issued to the bank to provide the Health Center with financing to refinance the NCBCD note (see above). The Bonds are secured by a first mortgage on the building and all other assets of the Health Center and is cross-collateralized with the line of credit (see Note 5).

**BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

(Continued)

**(6) LONG-TERM DEBT** (Continued)

Bonds Payable (Continued)

Beginning in January, 2014, the Bonds require monthly payments of fixed principal increasing every six months, as defined in the agreement, plus interest, until the Bonds maturity, December 26, 2043. Interest rate is adjusted monthly based on the Adjusted LIBOR rate (3.75% at June 30, 2014), as defined in the agreement, plus 218 basis points (2.18%). The Bonds are subject to mandatory purchase by the bank on December 26, 2023 (Mandatory Purchase Date). The Health Center may request an extension of the Mandatory Purchase Date by delivery of written notice to the Registered Owner by June 23, 2023. The Bonds may be prepaid by the Health Center, but is subject to penalties, as defined in the agreement. As of June 30, 2014, the balance of the Bonds was \$9,348,200.

The Health Center is subject to certain covenants as specified in the agreement. The Health Center was in compliance with these covenants as of June 30, 2014.

Principal payments for the next five years are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$168,600
2016	\$174,600
2017	\$181,800
2018	\$190,200
2019	\$198,000

To hedge against potential interest rate exposure under the floating rate, the Health Center entered into an interest rate swap agreement. As of June 30, 2014, the Health Center has an interest rate swap contract with the following terms, which effectively fixes the interest rate on a portion of the Bond's proceeds:

Notional Amount	\$9,362,000
Fixed Rate Assumed by the Health Center	2.28%
Basis for Variable Rate Assumed by Counterparty	USD-LIBOR-BBA x 0.72
Effective Date	December 27, 2013
Termination Date	December 27, 2023
Counterparty	RBS Citizen's N.A.

The swap contract is reported at fair value in the accompanying statements of financial position. Fair values are derived using Level 2 inputs (see Note 1), including prevailing credit spreads, market liquidity, assumed transaction and hedging costs, and other factors. Any gain or loss in the value of the interest rate swap arrangement is recorded as a change in unrestricted net assets in the statements of activities and changes in net assets. The Health Center recorded an unrealized loss of \$444,899 on the carrying value of this swap contract for the year ended June 30, 2014.

**BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

(Continued)

**(7) LEASE AGREEMENTS**

Eaton Apothecary (the Pharmacy) rents space from the Health Center under a lease agreement which expires on October 31, 2017. Annual fixed rental income is \$31,000, plus a pro-rata share of certain operating expenses. Rental income under the lease agreement was approximately \$61,000 and \$66,500 for the years ended June 30, 2014 and 2013, 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.

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 commenced in December, 2011. 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. Future minimum lease payments under these agreements for each of the next three years are \$47,600 for space and \$37,743 for equipment. Rental income under these leases was approximately \$130,000 and \$150,000 for the years ended June 30, 2014 and 2013, respectively, and is included in miscellaneous revenue in the accompanying statements of activities and changes in net assets.

**(8) 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 2014 and 2013, the Health Center paid the organization \$61,702 and \$45,133, respectively, for services provided. During fiscal year 2013, the Health Center purchased an optical machine for \$49,995 from an employee of the Health Center. This amount was paid in full during fiscal year 2014.

**(9) 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 \$305,877 and \$278,342 for the years ended June 30, 2014 and 2013, respectively, and is included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

**(10) CONSTRUCTION IN PROGRESS**

As of June 30, 2014, construction in progress included costs related to the rehabilitation of a new building located in Brockton, Massachusetts (the Project) which will be owned by BNHCV (see Note 1). The Project is expected to cost approximately \$8,000,000 and will be funded through New Market Tax Credits (see Note 13). Total construction in progress incurred and related to the Project as of June 30, 2014, was \$728,772.

As of June 30, 2014 and 2013, construction in progress also included equipment totaling \$22,168 and \$103,533, respectively, acquired but not yet placed in service. During fiscal year 2014, the 2013 capital equipment was placed in service.

**BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

(Continued)

**(11) PLEDGES RECEIVABLE**

Pledges receivable at June, 30, 2014 and 2013, are due as follows:

<u>Fiscal Year</u>	<u>2014</u>	<u>2013</u>
Due within one year	\$100,000	\$100,000
Due in two to five years	-	<u>100,000</u>
	<u>100,000</u>	<u>200,000</u>
Less - reserve	-	<u>4,698</u>
	<u>100,000</u>	<u>195,302</u>
Less - current portion	<u>100,000</u>	<u>100,000</u>
	<u>\$ -</u>	<u>\$ 95,302</u>

One foundation's pledge balance represents 100% of the total outstanding pledges as of June 30, 2014 and 2013.

**(12) MEDICAL MALPRACTICE INSURANCE**

The Health Center is insured for professional liability coverage through the Federal Bureau of Primary Health Care, known as the Federal Tort Claims Act (FTCA), in accordance with the Public Health Services Act. This coverage is provided to the Health Center through its Section 330 Community Health Center grant administered by HRSA. The coverage afforded the Health Center is comparable to an occurrence-based policy without a monetary cap. The coverage is applicable to the Health Center, its officers, Board members, employees, and contractors who are physicians or other licensed or certified health care practitioners.

**(13) COMMITMENTS**

The Health Center entered into a commitment with New Markets Support Company, LLC (NMSC) through Local Initiative Support Corporation's Healthy Futures Fund for a \$8,000,000 note payable. Interest rate will be a seven-year LIBOR Swap plus 170-200 basis points (currently modeled to be approximately 4.07% and will be locked prior to the closing of the note). Interest-only payments will be due for the first thirty months, with principal and interest payments thereafter based on a nineteen-year amortization schedule, with a balloon payment due at the end of the seventh anniversary of the note sufficient to retire approximately 79% of the original note. The note will be held by BNHCV and guaranteed by the Health Center. The note will be secured by a first mortgage on the Project with a second mortgage on the Health Center's main building.

**(14) RECLASSIFICATION**

Certain amounts in the fiscal year 2013 financial statements have been reclassified to conform with the fiscal year 2014 presentation.

**BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

<u>FEDERAL GRANTOR/ PASS-THROUGH PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>HEALTH CENTER OR PASS-THROUGH NUMBER</u>	<u>EXPENSES</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
Direct:			
Health Resources and Services Administration, Bureau of Primary Health Care, Facility Loan Guarantee Program	93.XXX	N/A	\$10,090,924 *
Affordable Care Act (ACA) Grants for Capital Development in Health Centers	93.526	N/A	351,099
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless and Public Housing Primary Care)	93.224	N/A	1,826,495 (1)
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program	93.527	N/A	236,796 (1)
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	327,316
Special Projects of National Significance	93.928	N/A	13,340
Community Services Block Grant - Discretionary Awards	93.570	N/A	325,375
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	69,167
Refugee and Entrant Assistance - State Administered Programs	93.566	5189MM3600914061	10,165
HIV Prevention Activities - Health Department Based	93.940	4942MM3100119032	<u>102,984</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$13,458,661</u></b>
<u>Health Centers Cluster:</u>			
Sum of (1)	\$2,063,291		

**BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
(Continued)

**NOTE 1: BASIS OF PRESENTATION**

The accompanying 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*.

**NOTE 2: LOAN GUARANTEE PROGRAM**

- \* The Health Resources and Services Administration expenditures listed above represent a loan guarantee as of June 30, 2014.

*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**

Independent Auditor's Report

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

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 Brockton Neighborhood Health Center, Inc. (the Health Center), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 22, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Health Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Health Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Health Center's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Health Center'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 Health Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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 Health Center'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 Health Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Wellesley, Massachusetts  
October 22, 2014

*Where Every Client is a Valued Client*

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

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

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

We have audited 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, 2014. 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.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

**Opinion on Each Major Federal Program**

In our opinion, the Health Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

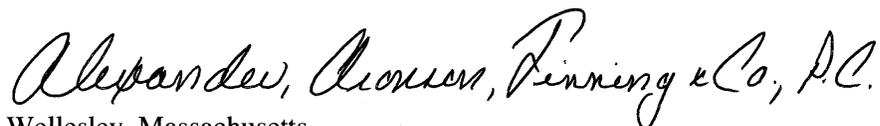
## Report on Internal Control Over Compliance

Management of the Health Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Health Center'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 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Wellesley, Massachusetts  
October 22, 2014

**BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2014**

**I. SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued: Unmodified

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

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

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

Identification of major programs:

<u><b>Program or Cluster Title</b></u>	<u><b>Federal CFDA Number</b></u>
Health Resources and Services Administration, Bureau of Primary Health Care, Facility Loan Guarantee Program	93.XXX
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918
Health Centers Cluster	93.224/93.527
Community Services Block Grant - Discretionary Awards	93.570

**BROCKTON NEIGHBORHOOD HEALTH CENTER, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2014**

(Continued)

**I. SUMMARY OF AUDITOR'S RESULTS (Continued)**

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

Auditee qualified as low-risk auditee?        ✓   Yes             No

**II. FINANCIAL STATEMENT FINDINGS**

None

**III. FEDERAL AWARD FINDINGS AND QUESTIONS COSTS**

None