

Bronx Community Health Network, Inc.

**Financial Statements,
Schedule of Expenditures of Federal Awards,
Internal Control and Compliance
and Independent Auditor's Reports**

December 31, 2014

Bronx Community Health Network, Inc.

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Independent Auditor's Report

To the Board of Directors
Bronx Community Health Network, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Bronx Community Health Network, Inc. ("BCHN"), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 BCHN'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 BCHN's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BCHN as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by 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 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 September 25, 2015, on our consideration of BCHN's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 BCHN's internal control over financial reporting and compliance.



New York, New York
September 25, 2015

Bronx Community Health Network, Inc.

**Statement of Financial Position
December 31, 2014**

Assets

Current assets:

Cash	\$ 542,039
Grants receivable - DHHS	1,019,150
Prepaid expenses and other current assets	<u>16,202</u>

Total assets \$ 1,577,391

Liabilities and Unrestricted Net Assets

Liabilities:

Accounts payable and accrued expenses	\$ 1,384,704
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Commitments and contingencies

Unrestricted net assets 192,687

Total liabilities and unrestricted net assets \$ 1,577,391

See Notes to Financial Statements.

Bronx Community Health Network, Inc.

**Statement of Activities and Changes in Net Assets
Year Ended December 31, 2014**

Revenue:		
DHHS grants	\$	6,883,802
Donated space		106,828
Other		11,132
Total revenue		<u>7,001,762</u>
Expenses:		
Program services		5,438,687
General and administrative		1,558,839
Total expenses		<u>6,997,526</u>
Increase in unrestricted net assets		4,236
Unrestricted net assets, beginning of year		<u>188,451</u>
Unrestricted net assets, end of year	\$	<u><u>192,687</u></u>

See Notes to Financial Statements.

Bronx Community Health Network, Inc.

**Statement of Cash Flows
Year Ended December 31, 2014**

Cash flows from operating activities:	
Cash received from DHHS grants	\$ 7,439,195
Cash received from other	11,132
Cash paid to vendors	(135,737)
Cash paid to contractors	<u>(7,510,566)</u>
Net cash used in operating activities	<u>(195,976)</u>
Net decrease in cash	(195,976)
Cash, beginning of year	<u>738,015</u>
Cash, end of year	<u><u>\$ 542,039</u></u>
Operating activities:	
Increase in unrestricted net assets	\$ 4,236
Adjustments to reconcile increase in unrestricted net assets to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Grants receivable - DHHS	555,393
Prepaid expenses and other current assets	31,894
Accounts payable and accrued expenses	<u>(787,499)</u>
Net cash used in operating activities	<u><u>\$ (195,976)</u></u>

See Notes to Financial Statements.

Bronx Community Health Network, Inc.

Notes to Financial Statements December 31, 2014

Note 1 - Organization

Bronx Community Health Network, Inc. ("BCHN") provides comprehensive primary healthcare services to the people of the City of New York through contracts entered into with two healthcare providers (see Note 4).

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

Note 2 - Significant accounting policies

Basis of presentation

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Classification of net assets

BCHN classifies its net assets into three categories, which are described as follows:

Unrestricted net assets are reflective of revenues and expenses associated with the principal operating activities of BCHN and are not subject to donor-imposed stipulations.

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions of BCHN and/or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the financial statements. There were no temporarily restricted net assets at December 31, 2014.

Permanently restricted net assets are subject to donor-imposed stipulations that must be maintained permanently by BCHN. There were no permanently restricted net assets at December 31, 2014.

Concentrations of credit risk

Financial instruments that potentially subject BCHN to concentrations of credit risk consist principally of cash and DHHS grants receivable. BCHN maintains its cash with high-credit quality financial institutions. At times, cash balances may exceed Federally-insured limits. BCHN has not experienced any losses in such accounts. At December 31, 2014, BCHN's cash balance exceeded Federally-insured limits by \$295,557. DHHS grants receivable credit

Bronx Community Health Network, Inc.

Notes to Financial Statements December 31, 2014

risk is limited due to the nature of the grants. BCHN regularly monitors its grants receivable by investigating delayed payments and differences when payments received do not conform to the amount billed. BCHN considers all grants as collectible.

DHHS grant revenue

Grants are recognized as revenue when earned. Expense-driven grants are recognized as revenue when the qualifying expenses have been incurred and all other grant requirements have been met. Grant funds received prior to the incurrence of the qualifying expenses are deferred. At December 31, 2014, BCHN has received grants from governmental entities in the aggregate amount of \$4,203,174 that have not been recorded in these financial statements as they have not yet been earned. These grants require BCHN to provide certain healthcare services during specified periods. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants.

Contributions

Contributions are recorded at fair value when received or pledged. Amounts are recorded as either temporarily or permanently restricted revenue if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as unrestricted revenue. Conditional contributions are recognized in the period when expenditures have been incurred in compliance with the grantor. For the year ended, December 31, 2014, there were no restricted contributions.

Donated space

BCHN occupies, without charge, premises owned by a certain donor. For the year ended December 31, 2014, the fair rental and related expense value of \$106,828 is recognized as donated space on the statement of activities and changes in net assets and as occupancy expense on the statement of functional expenses.

Performance indicator

The statement of activities and changes in net assets includes increase in unrestricted net assets as its performance indicator.

Tax status

BCHN was incorporated as a not-for-profit corporation under the laws of the State of New York and is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, there is no provision for income taxes. BCHN has no unrecognized tax benefits at December 31, 2014. BCHN's Federal and state income tax returns prior to fiscal year 2011 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

Bronx Community Health Network, Inc.

Notes to Financial Statements December 31, 2014

BCHN recognizes interest and penalties associated with tax matters as operating expenses and includes accrued interest and penalties with accrued expenses in the statement of financial position.

Interest earned on Federal funds

Interest earned on Federal funds is recorded as a payable to the United States Public Health Service (the "PHS") in compliance with the regulations of the U.S. Office of Management and Budget Circular A-110.

Functional expenses

Expenses are charged to program services or general and administrative based on a combination of specific identification and allocation by management.

Subsequent events

BCHN has evaluated subsequent events through September 25, 2015, which is the date the financial statements were available to be issued.

Note 3 - DHHS grants

BCHN recognized the following grants from the DHHS for the year ended December 31, 2014:

<u>Grant Number</u>	<u>Grant Period</u>	<u>Total Grant</u>	<u>Revenue Recognized</u>
H80CS00626-12-13	02/01/13 - 01/31/14	\$6,047,125	\$2,076,218
H80CS00626-13-10	02/01/14 - 01/31/15	6,742,994	3,741,954
H76HA00521-17-00	07/01/13 - 06/30/14	826,086	398,305
H76HA00521-18-00	05/01/14 - 04/30/15	991,303	<u>667,325</u>
			<u>\$6,883,802</u>

Note 4 - Commitments and contingencies

BCHN has two signed agreements with Montefiore Medical Center ("Montefiore"). The first is an administrative service agreement wherein Montefiore provides BCHN with human resource support services. Fees under the agreement are for actual costs incurred and are adjusted annually. Costs incurred by BCHN under this agreement totaled \$1,235,333 for the year ended December 31, 2014.

The second agreement is for comprehensive primary care health services. Under the agreement, Montefiore delivers the required services in accordance with the Health Center Cluster, Ryan White Part C, and School-Based Health Centers programs. BCHN reimburses Montefiore for properly documented and allowable costs, which are within the line item categories of the approved contract budget. Costs incurred by BCHN under this agreement totaled \$5,182,385 for the year ended December 31, 2014.

Bronx Community Health Network, Inc.

**Notes to Financial Statements
December 31, 2014**

BCHN also has signed an agreement with Promesa, Inc. ("Promesa") to provide primary care health services. BCHN reimburses Promesa for properly documented and allowable costs that are within the approved budget. Costs incurred by BCHN under this agreement totaled \$242,931 for the year ended December 31, 2014.

All of the above agreements are automatically renewed on an annual basis.

Bronx Community Health Network, Inc.

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014**

<u>Federal Grantor/Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass- Through Grantor's Number</u>	<u>Federal Expenditures</u>
Federal Awards:			
U.S. Department of Health and Human Services:			
Direct Programs:			
Health Center Cluster:			
Consolidated Health Centers	93.224	N/A	\$ 2,571,402
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program	93.527	N/A	<u>3,246,770</u>
Total - Health Center Cluster			5,818,172
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	<u>1,065,630</u>
Total Federal awards			<u><u>\$ 6,883,802</u></u>

See Notes to Schedule of Expenditures of Federal Awards.

Bronx Community Health Network, Inc.

**Notes to Schedule of Expenditures of Federal Awards
December 31, 2014**

Note 1 - General information

The accompanying schedule of expenditures of Federal awards (the "Schedule") presents the activities of all Federal awards of Bronx Community Health Network, Inc. ("BCHN") and is presented using the accrual basis of accounting. The Federal awards were provided primarily by the U.S. Department of Health and Human Services.

Note 2 - Basis of presentation

The accompanying Schedule has been prepared in the format required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The purpose of this Schedule is to present a summary of those grant activities of BCHN for the year ended December 31, 2014, which have been financed, in part, by the Federal government. For the purpose of this Schedule, Federal awards include any assistance provided by the Federal government directly or indirectly in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, direct appropriations and other noncash assistance.

Note 3 - Relationship to basic financial statements

Federal expenditures are reported on the statement of functional expenses as program services. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the Schedule due to program expenditures exceeding grant or contract budget limitations or agency matching or in-kind contributions which are not included in Federal awards.

Note 4 - Subrecipients

Of the Federal expenditures presented in this Schedule, BCHN provided no Federal awards to subrecipients.

Independent Auditor's Report
on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

To the Board of Directors
Bronx Community Health Network, 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 Bronx Community Health Network, Inc. ("BCHN"), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 25, 2015.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BCHN'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*.

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 BCHN's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BCHN's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

New York, New York
September 25, 2015

Independent Auditor's Report on Compliance for Each Major
Federal Program and Report on Internal Control over
Compliance Required by OMB Circular A-133

To the Board of Directors
Bronx Community Health Network, Inc.

Report on Compliance for Each Major Federal Program

We have audited Bronx Community Health Network, Inc.'s ("BCHN") 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 BCHN's major Federal programs for the year ended December 31, 2014. BCHN'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 BCHN'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 BCHN'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 BCHN's compliance.

Opinion on Each Major Federal Program

In our opinion, BCHN 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 December 31, 2014.

Report on Internal Control over Compliance

Management of BCHN 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 BCHN'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 BCHN'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.



New York, New York
September 25, 2015

Bronx Community Health Network, Inc.

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2014**

Section I - Summary of Auditor's Results:

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? 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 Circular A-133? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.224	U.S. Department of Health and Human Services: Health Center Cluster
93.527	Consolidated Health Centers Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program
93.918	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease

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

Auditee qualified as low-risk auditee? yes no

Bronx Community Health Network, Inc.

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2014**

Section II - Financial Statement Findings:

None

Section III - Federal Award Findings and Questioned Costs:

None

Bronx Community Health Network, Inc.

**Status of Prior Year's Findings
Year Ended December 31, 2014**

Finding #	Description of Condition	Status of Corrective Action
2013-001	During the year ended December 31, 2013, BCHN made drawdowns of Federal funds which were not spent within three days of drawdown in accordance with OMB Circular A-110.	This condition was corrected in the current year.