

**Brooklyn Plaza Medical Center, Inc.**

**Financial Statements,  
Schedule of Expenditures of Federal  
Awards, Internal Control and Compliance  
(With Supplementary Information)  
and Independent Auditor's Report**

**December 31, 2012**

**Brooklyn Plaza Medical Center, Inc.**

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## Independent Auditor's Report

To the Board of Directors  
Brooklyn Plaza Medical Center, Inc.

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Brooklyn Plaza Medical Center, Inc. (the "Center") which comprise the statement of financial position as of December 31, 2012, 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 the Center'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 above present fairly, in all material respects, the financial position of the Center as of December 31, 2012, 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 February 5, 2014, on our consideration of the 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* in considering the Center's internal control over financial reporting and compliance.



New York, New York  
February 5, 2014

**Brooklyn Plaza Medical Center, Inc.**

**Statement of Financial Position  
December 31, 2012**

Assets

Current assets:

Cash and cash equivalents	\$	240,907
Investments		101,071
Grants and contracts receivable		236,657
Patient services receivable, net		932,381
Meaningful use incentives receivable		148,750
Total current assets		<u>1,659,766</u>

Property and equipment, net		689,836
Security deposits		<u>6,120</u>

Total assets	\$	<u>2,355,722</u>
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Liabilities and Unrestricted Net Assets

Current liabilities:

Loan payable	\$	386,000
Accounts payable and accrued expenses		369,457
Accrued compensation		321,607
Due to third-party payor		190,500
Total current liabilities		<u>1,267,564</u>

Due to third-party payor		381,469
Deferred rent		91,331
Total liabilities		<u>1,740,364</u>

Commitments and contingencies

Unrestricted net assets		<u>615,358</u>
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Total liabilities and unrestricted net assets	\$	<u>2,355,722</u>
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See Notes to Financial Statements.

**Brooklyn Plaza Medical Center, Inc.**

**Statement of Activities and Changes in Net Assets  
Year Ended December 31, 2012**

Unrestricted revenue:	
Patient services revenue (net of contractual allowances and discounts)	\$ 4,354,454
Provision for bad debts	(48,073)
Net patient services revenue less provision for bad debts	<u>4,306,381</u>
DHHS grants	2,696,527
Contract services	62,769
Meaningful use incentives	148,750
Donated vaccines	191,909
Other	58,492
Total unrestricted revenue	<u>7,464,828</u>
Expenses:	
Salaries and fringe benefits	4,887,837
Other than personnel services	2,491,195
Interest expense	19,041
Total expenses	<u>7,398,073</u>
Operating income prior to depreciation and amortization and other item	66,755
Depreciation and amortization	<u>184,645</u>
Operating loss prior to other item	(117,890)
Settlement expense	<u>(600,000)</u>
Decrease in unrestricted net assets	(717,890)
Unrestricted net assets, beginning of year	<u>1,333,248</u>
Unrestricted net assets, end of year	<u><u>\$ 615,358</u></u>

See Notes to Financial Statements.

**Brooklyn Plaza Medical Center, Inc.**

**Statement of Functional Expenses  
Year Ended December 31, 2012**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and wages	\$ 3,143,692	\$ 853,804	\$ 3,997,496
Fringe benefits	700,178	190,163	890,341
Consultant and contractual services	93,704	247,207	340,911
Professional fees		225,917	225,917
Consumable supplies	502,594	11,883	514,477
Space costs	641,615	131,415	773,030
Laboratory fees	11,120		11,120
Insurance	39,076	8,003	47,079
Repairs and maintenance	45,091	5,977	51,068
Equipment rental	58,580	522	59,102
Health promotion	4,139	8,298	12,437
Telephone and communications	72,881	17,249	90,130
Travel, conferences and meetings	20,873	26,007	46,880
Printing, publications and postage	616	1,242	1,858
Dues and subscriptions	8,798	15,413	24,211
Data processing	109,236	22,374	131,610
Interest	15,804	3,237	19,041
Other	112,922	48,443	161,365
Totals	<u>5,580,919</u>	<u>1,817,154</u>	<u>7,398,073</u>
Depreciation and amortization	<u>153,255</u>	<u>31,390</u>	<u>184,645</u>
Total functional expenses	<u>\$ 5,734,174</u>	<u>\$ 1,848,544</u>	<u>\$ 7,582,718</u>

See Notes to Financial Statements.

**Brooklyn Plaza Medical Center, Inc.**

**Statement of Cash Flows  
Year Ended December 31, 2012**

Cash flows from operating activities:	
Cash received from patient services	\$ 4,574,095
Cash received from DHHS grants	2,522,000
Cash received from contract services	120,635
Cash received from other	58,492
Cash paid to employees	(4,834,426)
Cash paid to vendors	(2,375,832)
Cash paid for interest	(19,041)
Net cash provided by operating activities	<u>45,923</u>
 Cash flows from investing activities:	
Cash paid for property and equipment	<u>(45,201)</u>
 Cash flows from financing activities:	
Cash received from loan proceeds	386,000
Repayments on line of credit	(200,000)
Net cash provided by financing activities	<u>186,000</u>
 Net increase in cash and cash equivalents	186,722
 Cash and cash equivalents, beginning of year	<u>54,185</u>
 Cash and cash equivalents, end of year	<u><u>\$ 240,907</u></u>
 Reconciliation of decrease in unrestricted net assets to net cash provided by operating activities:	
Decrease in unrestricted net assets	\$ (717,890)
Adjustments to reconcile decrease in unrestricted net assets to net cash provided by operating activities:	
Provision for bad debts	48,073
Depreciation and amortization	184,645
Deferred rent	64,081
Write-off of contracts receivable	83,636
Changes in operating assets and liabilities:	
Grants and contracts receivable	(116,661)
Patient services receivable	269,437
Meaningful use incentives receivable	(148,750)
Accounts payable and accrued expenses	(224,263)
Accrued compensation	53,411
Due to third-party payor	550,204
Net cash provided by operating activities	<u><u>\$ 45,923</u></u>

See Notes to Financial Statements.

## **Brooklyn Plaza Medical Center, Inc.**

### **Notes to Financial Statements**

#### **Note 1 - Organization:**

Brooklyn Plaza Medical Center, Inc. (the "Center") operates freestanding diagnostic and treatment centers, located in the Fort Greene section of Brooklyn, New York. The Center provides a broad range of health services to a largely medically underserved population.

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

#### **Note 2 - Summary of significant accounting policies:**

##### **Basis of presentation:**

The accompanying 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### **Classification of net assets:**

The Center 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 the Center 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 the Center and/or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets that are reported in the statement of activities and changes in net assets as net assets released from restriction. 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, 2012.

Permanently restricted net assets are subject to donor-imposed stipulations that must be maintained permanently by the Center. There were no permanently restricted net assets at December 31, 2012.

## **Brooklyn Plaza Medical Center, Inc.**

### **Notes to Financial Statements**

#### **Cash and cash equivalents:**

The Center maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed Federally-insured limits. The Center has not experienced any losses in such accounts. At December 31, 2012, the Center's cash and cash equivalents balance did not exceed Federally-insured limits. All highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents.

#### **Investments:**

Investments consist of money market funds, which are reported in the financial statements at fair value. The statement of activities recognizes unrealized gains and losses on investments as increases or decreases, respectively, in unrestricted net assets.

#### **Patient services receivable and concentrations of credit risk:**

The collection of receivables from third-party payors and patients is the Center's primary source of cash for operations and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts (deductibles and copayments) remain outstanding. Patient receivables from third-party payors are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors.

Receivables due directly from patients are carried at the original charge for the service provided less discounts provided under the Center's charity care policy, less amounts covered by third-party payors and less an estimated allowance for doubtful receivables. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Center considers accounts past due when they are outstanding beyond 90 days with no payment. The Center generally does not charge interest on past due accounts. Patient receivables are written off when deemed uncollectable. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received.

#### **Grants and contracts receivable:**

Grants and contracts receivable consists of costs under the grant and contract agreements which were incurred prior to year-end for which payment has not been received. Grants and contracts receivable credit risk is limited due to the nature of the grants and contracts. The Center regularly monitors its grants and contracts receivable by investigating delayed payments and differences when payments received do not conform to the amount billed. The Center considers all grants and contracts as collectible.

## **Brooklyn Plaza Medical Center, Inc.**

### **Notes to Financial Statements**

#### **Property and equipment:**

Property and equipment is recorded at cost less accumulated depreciation and amortization. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, ranging from 5 to 25 years. Leasehold improvements are amortized on a straight-line basis over the estimated useful life of the improvement or the term of the lease, whichever is less. The Center capitalizes all purchases of property and equipment in excess of \$1,000.

According to Federal regulations, any property and equipment obtained through Federal funds are subject to a lien by the Federal government. Provided that the Center maintains its tax-exempt status and the property and equipment are used for their intended purpose, the Center is not required to reimburse the Federal government. If the stated requirements are not met, the Center would be obligated to the Federal government in an amount equal to the fair value of the property and equipment.

#### **Impairment of long-lived assets:**

The Center reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing a review for impairment, the Center compares the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that impairment has occurred, the loss would be recognized during that period. The impairment loss is calculated as the difference between the asset's carrying value and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance and pricing trends. The Center does not believe that any material impairment currently exists relating to its long-lived assets.

#### **Deferred rent:**

Rent expense is recognized on a straight-line basis over the term of the leases. At December 31, 2012, \$91,331 is reflected as deferred rent, which represents the excess of rent expense computed on a straight-line basis over the minimum lease payments.

#### **Donated Rent:**

The Center records donated rent at fair value based on the space provided. During 2012, the Center received donated space of \$39,582, which is recorded in the statement of activities and changes in net assets as other revenue and other than personnel services expense.

#### **Patient services revenue:**

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Payment arrangements include predetermined fee schedules and discounted charges. Service fees are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including retroactive adjustments if applicable, under reimbursement agreements with third-party

## **Brooklyn Plaza Medical Center, Inc.**

### **Notes to Financial Statements**

payors, which are subject to audit by administrating agencies. These adjustments are accrued on an estimated basis and are adjusted in future periods as final settlements are determined. The Center provides care to certain patients under Medicaid and Medicare payment arrangements. Laws and regulations governing the Medicaid and Medicare programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action. Self-pay revenue is recorded at published charges with charitable care deducted to arrive at gross self-pay revenue. Contractual allowances are then deducted to arrive at net self-pay patient revenue before provision for bad debts.

#### **Grants and contracts revenue:**

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions. Grant and contracts awarded for the acquisition of long-lived assets are reported as unrestricted nonoperating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as refundable advances.

At December 31, 2012, the Center has received conditional grants and contracts from governmental entities in the aggregate amount of approximately \$800,000 that have not been recorded in these financial statements. These grants and contracts require the Center to provide certain healthcare services during specified periods. If such services are not provided during the periods, the governmental entities are not obligated to expend the funds allotted under the grants and contracts.

#### **Contributions:**

Contributions are recorded as either temporarily or permanently restricted revenue if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of 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. There were no contributions for the year ended December 31, 2012.

#### **Donated vaccines:**

The Center records donated items at fair value at date of donation. During 2012, the Center received \$191,909 of vaccines, which are recorded in the statement of activities and changes in net assets as both revenue and expense.

## **Brooklyn Plaza Medical Center, Inc.**

### **Notes to Financial Statements**

#### **Meaningful use incentives:**

The American Recovery and Reinvestment Act of 2009 ("ARRA") amended the Social Security Act to establish one-time incentive payments under the Medicare and Medicaid programs for certain professionals that: (1) meaningfully use certified Electronic Health Record ("EHR") technology, (2) use the certified EHR technology for electronic exchange of health information to improve quality of healthcare, and (3) use the certified EHR technology to submit clinical and quality measures. These provisions of ARRA, together with certain of its other provisions, are referred to as the Health Information Technology for Clinical and Economic Health ("HITECH") Act. The criteria for meaningful use incentives will be based on three steps over the course of the next six years and be paid out based on a transitional schedule. The Center's providers have met the criteria for Stage 1 and have earned \$148,750 from the Medicaid incentive program for the year ended December 31, 2012 and is recorded as meaningful use incentives receivable on 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 ("PHS") in compliance with the regulations of the United States Office of Management and Budget.

#### **Functional expenses:**

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

#### **Performance indicator:**

The statement of activities and changes in net assets includes decrease in unrestricted net assets as the performance indicator

#### **Tax status:**

The Center 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. The Center has no unrecognized tax benefits at December 31, 2012. The Center's Federal and state income tax returns prior to fiscal year 2009 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Center 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.

## Brooklyn Plaza Medical Center, Inc.

### Notes to Financial Statements

#### Subsequent events:

The Center has evaluated subsequent events through February 5, 2014, which is the date the financial statements were available to be issued.

#### Note 3 - Fair value measurements:

The Center values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Center utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

Financial assets carried at fair value on a recurring basis at December 31, 2012 are classified in the table below in one of the three categories described above:

	<u>Assets at Fair Value as of December 31, 2012</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury Money Market Fund	<u>                    </u>	<u>\$101,071</u>	<u>                    </u>	<u>\$101,071</u>
Total assets, at fair value	<u>\$ -</u>	<u>\$101,071</u>	<u>\$ -</u>	<u>\$101,071</u>

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value. There have been no changes in the methodologies used for the year ended December 31, 2012.

Investments in money market funds are valued using a yield-based matrix system to arrive at an estimated market value.

## Brooklyn Plaza Medical Center, Inc.

### Notes to Financial Statements

The preceding method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

#### Note 4 - Grants and contracts receivable:

Grants and contracts receivable consist of the following:

U.S. Department of Health and Human Services:	
Consolidated Health Center Program	\$ 190,389
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	5,155
Other	<u>41,113</u>
Total	<u>\$ 236,657</u>

#### Note 5 - Patient services receivable, net:

Patient services receivable, net consist of the following:

Medicaid (includes Managed Care plans)	\$ 312,220
Medicare	29,899
Private insurance	224,187
Self-pay	65,902
New York State uncompensated care	<u>354,752</u>
	986,960
Less allowance for doubtful accounts	<u>(54,579)</u>
Total	<u>\$ 932,381</u>

Patient services receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of patient services receivable, the Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For

## Brooklyn Plaza Medical Center, Inc.

### Notes to Financial Statements

receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Center records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates provided by the Center's policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts.

The Center's allowance for doubtful accounts for self-pay patients is 83 percent of self-pay patient services receivable at December 31, 2012. The Center did not have material write-offs for self-pay patients for the year ended December 31, 2012. The Center has not changed its charity care or uninsured discount policies during fiscal year 2012. The Center does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors.

#### Note 6 - Property and equipment, net:

Property and equipment, net, consists of the following:

Furniture and fixtures	\$ 14,331
Leasehold improvements	1,691,358
Equipment	<u>731,271</u>
Total	2,436,960
Less accumulated depreciation and amortization	<u>1,747,124</u>
Total	<u>\$ 689,836</u>

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

#### Note 7 - Line of credit:

The Center has an available line of credit with JP Morgan Chase Bank in the amount of \$700,000, which matures on June 4, 2015. Interest is payable monthly and is computed at the LIBOR rate, plus 3.801% (4.649% at December 31, 2012). The line of credit is secured by all business assets. There was no outstanding balance at December 31, 2012.

## Brooklyn Plaza Medical Center, Inc.

### Notes to Financial Statements

#### Note 8 - Loan payable:

The Center entered into a promissory note in the amount of \$386,000, which matured and was paid in full on September 4, 2013. This agreement requires interest to be charged at the LIBOR rate, plus 5.301% (6.149% at December 31, 2012). The promissory note is secured by all business assets. There was an outstanding balance of \$386,000 at December 31, 2012.

#### Note 9 - Patient services revenue (net of contractual allowances and discounts):

The Center recognizes patient services revenue associated with services provided to patients who have Medicaid, Medicare and third-party payor coverage on the basis of contractual rates for services rendered. For uninsured self-pay patients that do not qualify for charity care, the Center recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates provided by the Center's policy. Charity care services are computed using a sliding fee scale based on patient income and family size. On the basis of historical experience, a significant portion of the Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Center records a provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized during the period from these major payor sources, is as follows:

	<u>Net Revenue</u>
Medicaid (including Managed Care plans)	\$1,495,912
Medicare	129,496
Private insurance	617,239
Self-pay	59,040
New York State Uncompensated Care	768,083
New York State Managed Care Wraparound	<u>1,284,684</u>
Total	<u>\$ 4,354,454</u>

Based on the cost of patient services, charity care approximates \$189,000 and community benefit \$2,250,000 for the year ended December 31, 2012.

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

**Brooklyn Plaza Medical Center, Inc.**

**Notes to Financial Statements**

**Note 10- DHHS grants:**

For the year ended December 31, 2012, the Center received the following grants from the DHHS:

<u>Grant Number</u>	<u>Grant Period</u>	<u>Total Grant</u>	<u>Revenue Recognized</u>
6H80CS00410-10-10	04/01/11 – 03/31/12	\$2,190,790	\$ 547,698
6H80CS00410-11-05	04/01/12 – 03/31/13	2,248,790	1,686,593
6H76HA00173-16-02	07/01/11 – 06/30/12	462,236	231,116
5H76HA00173-17-00	07/01/12 – 06/30/13	462,236	<u>231,120</u>
Total			<u>\$2,696,527</u>

**Note 11- Pension plan:**

The Center maintains a defined contribution plan covering all employees meeting certain eligibility requirements. The Center matches up to 3% of eligible earnings. The Center may also make nonelective contributions to the plan. Pension expense amounted to \$105,368 for the year ended December 31, 2012.

**Note 12- Commitments and contingencies:**

The Center has contracted with various funding agencies to perform certain healthcare services, and receives Medicaid and Medicare revenue from Federal and state governments. Reimbursements received under these contracts and payments from Medicaid and Medicare are subject to audit by Federal and state governments and other agencies. Upon audit, if discrepancies are discovered, the Center could be held responsible for refunding the amounts in question.

The Center maintains its medical malpractice coverage under the Federal Tort Claims Act ("FTCA"). FTCA provides malpractice coverage to eligible PHS-supported programs and applies to the Center and its employees while providing services within the scope of employment included under grant-related activities. The Attorney General, through the U.S. Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage. The Center maintains gap insurance for activity outside the scope of FTCA coverage.

The healthcare industry is subject to voluminous and complex laws and regulations of Federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral laws and false claims prohibitions. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of reimbursement, false claims, anti-kickback and anti-referral statutes and regulation by healthcare

## Brooklyn Plaza Medical Center, Inc.

### Notes to Financial Statements

providers. The Center believes that it is in material compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Upon audit, if discrepancies are discovered, the Center could be held responsible for refunding the amount in question.

The Center is involved in claims and legal action in the ordinary course of business. Management is of the opinion that the ultimate outcome of these matters would not have a material adverse impact on the financial position of the Center or the results of its operations or cash flows.

The Center has reached a settlement in principle with the New York Attorney General and the United States Attorney's Office, Eastern District of New York (the "government entities"), to resolve allegations that the Center operated a satellite clinic without having received an operating certificate from the New York State Department of Health. Rather than proceed with the expense and risk of trial, the Center has agreed to a settlement that provides a payment split evenly between the government entities of \$600,000, payable over five years. The settlement will also provide that the Center may make increased payments if certain unlikely events were to occur. The settlement will relieve the Center of a 15% withhold of Medicaid payments that is currently in place. Although an agreement has been reached in principle, the actual settlement agreement has not yet been executed. The agreement will require judicial approval, which is expected. The settlement amount of \$600,000 has been adjusted by the Center for total Medicaid withholds taken from the Center as of December 31, 2012 in the amount of \$28,031. The settlement has been reported on the statement of financial position as due to third-party payor for a short-term amount due of \$190,500 and a long-term amount due of \$381,469, and as settlement expense on the statement of activities and changes in net assets of \$600,000.

The Center operates out of three facilities, one of which is operated on a rent-free, month-to-month basis. For the year ended December 31, 2012, rent expense amounted to \$508,007.

Two facilities are operated under noncancelable operating leases expiring in 2017 and 2022, requiring future minimum payments as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2013	\$ 417,779
2014	426,676
2015	435,767
2016	445,057
2017	93,178
Thereafter	<u>274,222</u>
Total	<u>\$ 2,092,679</u>

**Brooklyn Plaza Medical Center, Inc.**

**Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2012**

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Total Expenditures
U.S. Department of Health and Human Services:			
Health Center Cluster:			
Consolidated Health Centers	93.224	N/A	\$ 1,291,766
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program	93.527	N/A	<u>942,525</u>
Subtotal Health Center Cluster			<u>2,234,291</u>
 Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	 93.918	 N/A	 462,236
 Passed through City of New York: Department of Health and Mental Hygiene:			
Immunization Cooperative Agreements	93.268	N/A	<u>191,909</u>
 Total Federal awards			 <u>\$ 2,888,436</u>

See Notes to Schedule of Expenditures of Federal Awards.

## Brooklyn Plaza Medical Center, Inc.

### Notes to Schedule of Expenditures of Federal Awards

**Note 1 - General information:**

The accompanying schedule of expenditures of Federal awards (the "Schedule") presents the activities in all Federal awards of Brooklyn Plaza Medical Center, Inc. (the "Center"). All financial assistance received directly from the Federal agencies as well as financial assistance passed through other governmental agencies or nonprofit organizations is included on the schedule.

**Note 2 - Basis of presentation:**

The accompanying Schedule is presented using the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The amounts reported in the Schedule as expenditures may differ from certain financial reports submitted to Federal funding agencies due to those reports being submitted on either the cash or modified accrual basis of accounting.

**Note 3 - Relationship to the 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 the statement of activities and changes in net assets.

**Note 4 - Subrecipients:**

Of the Federal expenditures presented in this Schedule, the Center provided no Federal awards to subrecipients for the year ended December 31, 2012.

**Note 5 - Donated and nonmonetary assistance:**

Donated and nonmonetary assistance is reported in the Schedule at the fair value of the vaccinations received. The total Federal share of vaccinations distributed by the Center amounted to \$191,909. This amount is included in the Schedule.

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  
Brooklyn Plaza Medical 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 Brooklyn Plaza Medical Center, Inc. (the "Center"), which comprise the statement of financial position as of December 31, 2012, 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 February 5, 2014.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified deficiencies in internal control that we consider to be material weaknesses.

*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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Items 2012-1 and 2012-2 to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

### Brooklyn Plaza Medical Center, Inc.'s Responses to Findings

The Center's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Center's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### 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 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 Center'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  
February 5, 2014

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  
Brooklyn Plaza Medical Center, Inc.

Report on Compliance for Each Major Federal Program

We have audited Brooklyn Plaza Medical Center, Inc. 's(the "Center") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Center's major Federal programs for the year ended December 31, 2012. The 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 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 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 Center's compliance.

## Opinion on Each Major Federal Program

In our opinion, the 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 December 31, 2012.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Items 2012-3 and 2012-4. Our opinion on each major Federal program is not modified with respect to these matters.

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

## Report on Internal Control over Compliance

Management of the 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 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of finding and questioned costs as Items 2012-3 and 2012-4, that we consider to be significant deficiencies.

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

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.

A handwritten signature in black ink that reads "Cohn Reznick LLP". The signature is written in a cursive, flowing style.

New York, New York  
February 5, 2014

**Brooklyn Plaza Medical Center, Inc.**

**Schedule of Findings and Questioned Costs  
December 31, 2012**

**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?
- Significant deficiency(ies) identified?

yes     no  
 yes     none reported

Noncompliance material to financial statements noted?

yes     no

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

yes     no  
 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:

CFDA Number(s)

Name of Federal Program

93.224  
93.527

U.S. Department of Health and  
Human Services:  
Health Center Cluster:  
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

**Brooklyn Plaza Medical Center, Inc.**

**Schedule of Findings and Questioned Costs  
December 31, 2012**

**Section II - Financial Statement Findings:**

**Item 2012-1: Proper Documentation and Process for Disbursements:**

**Criteria:**

Cash disbursement policies and procedures are established to ensure no unauthorized payments are made and that accurate records are maintained for all payments.

**Statement of Condition:**

While performing our audit it was noted in certain instances the Center did not follow the appropriate policies and procedures for cash disbursements in accordance with the Center's Financial Policies and Procedures Manual. Supporting documentation and proper approval was not maintained for certain cash disbursements made with the corporate debit card. It was also noted that the Center did not have a corporate debit card policy which would specifically establish procedures for the review and approval of expenditures and the maintaining of supporting documentation when the corporate debit card is used. The purpose of the corporate debit card is to enable the Center's personnel to use an efficient and alternative means of payment for approved business travel and other expenses.

**Effect:**

The Center in certain instances did not comply with the policies and procedures surrounding cash disbursements in accordance with the Center's Financial Policies and Procedures Manual. Without proper support, although an expense is proper, there is no documented evidence that in those instances the expenditures are proper business expenses and approved. It allows the opportunity for unauthorized expenditures to be made.

**Cause:**

There was lack of internal controls to ensure that the proper approval process and support is documented to support the related expenditures and that the current policies and procedures are followed.

**Recommendation:**

We recommend that the Center create a policy for debit card disbursements to ensure the following procedures be implemented to strengthen internal control over debit card disbursements:

- 1) All invoices when presented for approval for payment, should contain the proper supporting documentation along with the appropriate signatures indicating they were reviewed.
- 2) All invoices, before payment is made, should contain the proper account allocation to be charged and respective subaccounts denoting what department/program the expenditures relate to.
- 3) A copy of the invoice package including the check request form should be retained for every disbursement and filed accordingly.

**Brooklyn Plaza Medical Center, Inc.**

**Schedule of Findings and Questioned Costs  
December 31, 2012**

Management's Response:

The Center's management has begun to create and implement new procedures. The Center will terminate the use of the debit card and secure a corporate credit card to ensure improved tracking of expenses and invoices.

Item 2012-2: Safeguarding of Assets:

Criteria:

Cash receipt procedures for the Center are established to ensure the following:

- 1) All cash receipts are adequately safeguarded and properly deposited.
- 2) All receipts are properly recorded in the accounting records.
- 3) Identification of receipts in sufficient detail to facilitate preparation of the monthly financial reports.

Cash disbursement procedures for the Center are established to ensure no unauthorized payments are made and that accurate records are maintained for all payments.

Statement of Condition:

During the normal course of business, the Center receives cash from patients at the front desk as a form of payment for patient services that were provided. The cash receipts policy and procedure states that cash receipts received at the front desk are to be deposited within one or two business day of receipt, and a reconciliation of these cash receipts and payments posted on the system should be performed on a daily basis. The Billing Supervisor is responsible for depositing all cash received via mail and front desk within one to two business day of receipt. The Billing Supervisor is also responsible for reconciling the cash receipts at the front desk to the payments posted in the practice management system. At the conclusion of the month, the cash log is forwarded to the Chief Financial Officer (CFO) for review. If there are no discrepancies, all cash receipts by payor source are recorded in the general ledger on a monthly basis by the Fiscal Director.

While performing our audit we noted instances in which the daily cash receipts collected as noted on the cash transaction sheet and per the practice management system (subsidiary ledger) were not deposited. Instead, the cash which was not deposited (approximately \$38,000) was used to pay a former employee to provide consulting services to the finance department as instructed by the CFO. This is a breakdown in the Center's internal controls for cash receipts, cash disbursements and safeguarding of assets. The manner in which the arrangement for consulting services came about was not in accordance with the Center's policies and procedures and there was no authorization from the Chief Executive Officer. In addition, there was no formal arrangement with the former employee, supporting documentation was not maintained, and the 1099 IRS Form which was issued to the former employee did not agree with what the finance department staff stated the former employee was paid. In addition, we also noted that the Center only deposited the front desk cash receipts on a monthly basis and did not follow their policy regarding timely deposits.

**Brooklyn Plaza Medical Center, Inc.**

**Schedule of Findings and Questioned Costs  
December 31, 2012**

Effect:

The Center did not deposit all of the front desk cash receipts during the year per the practice management system (subsidiary ledger) and this was not recorded in the Center's general ledger. The monthly internal financial statements did not reflect those activities that occurred at the health center. The Center also did not comply with the policies and procedures surrounding cash receipts and cash disbursements in accordance with the Center's Financial Policies and Procedures Manual. Without proper support, there is no evidence that those expenditures are proper business expenses and approved. It allows the opportunity for unauthorized expenditures to be made and cash to be misappropriated.

Cause:

There was an override of internal controls over cash receipts, cash disbursements and the safeguarding of assets.

Recommendation:

We recommend that the Center ensure that the cash receipts and cash disbursements internal control policies of the Center are enforced. To properly safeguard assets, checks and balances and segregation of duties, must be established and followed to provide better control over cash.

Management's Response:

Management is revising its internal cash receipts and disbursement policies to include additional checks and balances, daily reporting, deposits within 72 hours and weekly reconciliations. The CEO will receive weekly financial reports to ensure additional controls are in place. Appropriate disciplinary action has been taken.

**Section III – Federal Award Findings and Questioned Costs - U.S. Department of Health and Human Services, Health Center Cluster Programs (CFDA 93.224/93.527), Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (CFDA 93.918)**

Item 2012-3: Drawdown of Grant Funds:

Criteria:

In accordance with the requirements of OMB Circular A-110, grantees which receive Federal funds must deposit those funds into interest-bearing accounts and the interest earned must be submitted to the U.S. Treasury.

Statement of Condition:

During the year, the Center made drawdowns of Federal funds which were not deposited into an interest-bearing account in accordance with OMB Circular A-110.

Questioned Costs:

None

Effect:

The Center was not in compliance with OMB Circular A-110 cash management guidelines.

**Brooklyn Plaza Medical Center, Inc.**

**Schedule of Findings and Questioned Costs  
December 31, 2012**

Cause:

Management is aware of the cash management compliance requirement that stipulates that an interest-bearing account must be used for Federal funds drawdown. However, management represented that due to restrictions in their banking arrangements, they were unable to maintain an interest-bearing account throughout the year ended December 31, 2012.

Recommendation:

The Center should ensure that all Federal funds are deposited into an interest-bearing account in accordance with the grant requirements and OMB Circular A-110. Interest earned on Federal grant advances are required to be remitted to the Federal government on a timely basis, if in excess of \$250.

Management's Response:

Management concurs with this finding and have implemented the procedures necessary.

Item 2012-4: Reporting:

Criteria:

In accordance with OMB Circular A-133, annual audit reports of recipients of Federal funds are required to be submitted no later than 30 days after the issuance of the audit report and no later than 270 days after the year-end to the Federal government.

Statement of Condition:

The Center did not submit their annual audit in accordance with OMB Circular A-133 on a timely basis.

Questioned Costs:

None

Effect:

The Center did not comply with the appropriate rules and regulations as per OMB Circular A-133 regarding the filing of their annual audit.

Cause:

There was account analysis and supporting documentation that the Center did not have completed and available on a timely basis.

Recommendation:

The Center should implement a series of controls to ensure all accounting records are analyzed and proper support is available in order that the financial statement audit is submitted timely to the Federal government.

Management's Response:

The Center has implemented the applicable controls to ensure the accounting records and support will be up to date and available for the annual audit to be completed timely.

**Brooklyn Plaza Medical Center, Inc.**

**Schedule of Prior Year's Findings  
December 31, 2012**

<b>Item #</b>	<b>Description of Condition</b>	<b>Status of Corrective Action</b>
11-1	Davis-Bacon Act	The ARRA grant ended and the Center did not have this requirement in the current year.