

**VISITING NURSE ASSOCIATION OF CENTRAL JERSEY  
COMMUNITY HEALTH CENTER, INC.**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

December 31, 2014

**VISITING NURSE ASSOCIATION OF CENTRAL JERSEY COMMUNITY HEALTH CENTER, INC.**

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December 31, 2014

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Visiting Nurse Association of Central Jersey Community Health Center, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Visiting Nurse Association of Central Jersey Community Health Center, Inc. (the "Center") which comprise the statement of financial position as of December 31, 2014, and the related statements of activities 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.

### Auditors' 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 of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the

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## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### Auditors' Responsibility (Continued)

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 reasonable 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, 2014, and the change 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.

### Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purpose of additional analysis as required by 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 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 23, 2015, for the year ended December 31, 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 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.

*Mercadieu, P.C.*

*Certified Public Accountants*

September 23, 2015

**VISITING NURSE ASSOCIATION OF CENTRAL JERSEY COMMUNITY HEALTH CENTER, INC.**

**STATEMENT OF FINANCIAL POSITION**

December 31, 2014

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**ASSETS**

Current Assets

Cash and cash equivalents	\$ 53,178
Patient accounts receivables, net of allowance of \$903,312	476,413
Medicaid wraparound receivables, net of allowance of \$133,119	1,102,347
340B pharmacy receivables	95,037
Other receivables	53,532
Prepaid expenses and other current assets	<u>64,941</u>

Total Current Assets 1,845,448

Property and equipment, net 1,050,728

Total Assets \$ 2,896,176

**LIABILITIES AND NET ASSETS**

Current Liabilities

Accounts payable	\$ 358,676
Accrued expenses	515,992
Due to/from related party	607,572
Refundable advances	24,324
Line of credit	<u>148,163</u>

Total Current Liabilities 1,654,727

Due to/from related party, net of current portion 969,275

Total Liabilities 2,624,002

Net Assets

Unrestricted 261,353

Temporarily restricted 10,821

Total Net Assets 272,174

Total Liabilities and Net Assets \$ 2,896,176

**VISITING NURSE ASSOCIATION OF CENTRAL JERSEY COMMUNITY HEALTH CENTER, INC.**

**STATEMENT OF ACTIVITIES**  
 Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Other Support			
Net patient service revenues	\$ 1,919,203	\$ -	\$ 1,919,203
Less provision for bad debts	<u>1,125,144</u>	<u>-</u>	<u>1,125,144</u>
Net patient service revenues	<u>794,059</u>	<u>-</u>	<u>794,059</u>
Other Revenue			
Premium revenue (capitation)	547,530	-	547,530
Medicaid wraparound revenue, net	820,715	-	820,715
340B pharmacy revenue, net	793,039	-	793,039
Federal, state and local grants	1,916,979	-	1,916,979
Medicaid incentive payment	93,500	-	93,500
Miscellaneous revenue	63,823	-	63,823
Net assets released from restriction	<u>-</u>	<u>-</u>	<u>-</u>
Total other revenue	<u>4,235,586</u>	<u>-</u>	<u>4,235,586</u>
Total revenue and other support	<u>5,029,645</u>	<u>-</u>	<u>5,029,645</u>
Expenses			
Salaries and benefits	4,012,387	-	4,012,387
Other than personnel services	1,330,052	-	1,330,052
Depreciation	105,733	-	105,733
Interest	<u>13,029</u>	<u>-</u>	<u>13,029</u>
Total expenses	<u>5,461,201</u>	<u>-</u>	<u>5,461,201</u>
Operating loss	(431,556)	-	(431,556)
Forgiveness of debt	<u>397,821</u>	<u>-</u>	<u>397,821</u>
Change in net assets	(33,735)	-	(33,735)
Net assets, beginning of year	<u>295,088</u>	<u>10,821</u>	<u>305,909</u>
Net assets, end of year	<u>\$ 261,353</u>	<u>\$ 10,821</u>	<u>\$ 272,174</u>

**VISITING NURSE ASSOCIATION OF CENTRAL JERSEY COMMUNITY HEALTH CENTER, INC.**

**STATEMENT OF CASH FLOWS**

Year Ended December 31, 2014

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Cash Flows from Operating Activities	
Change in net assets	\$ (33,735)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	105,733
Provision for bad debts	1,125,144
Change in:	
Patient accounts receivable	(430,740)
Medicaid wrap-around receivables	(572,151)
340B receivables	(107,598)
Other receivables	(92,722)
Prepaid expenses and other current assets	(47,856)
Accounts payable	305,369
Accrued expenses	33,561
Due to/from related party	(249,104)
Refundable advances	<u>(55,762)</u>
Net cash from operating activities	<u>(19,861)</u>
Cash Flows from Financing Activities	
Borrowings/(repayments) on line of credit, net	<u>7,663</u>
Net cash from financing activities	<u>7,663</u>
Net change in cash and cash equivalents	(12,198)
Cash and cash equivalents, beginning of year	<u>65,376</u>
Cash and cash equivalents, end of year	<u>\$ 53,178</u>
Supplemental Disclosure of Cash Flow Information	
Cash paid during the year for:	
Interest	<u>\$ 13,029</u>
Supplemental Disclosure of Noncash Activities	
Forgiveness of debt income	<u>\$ 397,821</u>

# VISITING NURSE ASSOCIATION OF CENTRAL JERSEY COMMUNITY HEALTH CENTER, INC.

## NOTES TO FINANCIAL STATEMENTS

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### A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of Organization**

Visiting Nurse Association of Central Jersey Community Health Center, Inc. (the "Center") is a not-for-profit organization with an innovative model of community-based care. The Center offers primary and preventive health care services for people of all ages, and extends its educational and health screening services in a variety of settings throughout the community. The Center was formed on July 15, 1994, and commenced operations in a site located in Asbury Park, New Jersey and received its designation as a Federally Qualified Health Center ("FQHC"), effective April 1, 2003.

Additional sites were established in subsequent years in Keyport, Red Bank and Keansburg, New Jersey. The facility located in Keyport received its FQHC designation on November 21, 2005. The facilities located in Red Bank and Keansburg were designated as FQHCs upon the commencement of operations in May and November 2006, respectively.

The Center has entered into a number of agreements for services with Visiting Nurse Association Health Group, Inc. and Affiliates ("VNA Health Group").

#### **Basis of Accounting**

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 ("U.S. GAAP").

#### **Basis of Presentation**

The classification of the Center's net assets and its revenue, other support and gains and losses is based on the existence or absence of donor or other imposed restrictions. Amounts for each of three classes of net assets; unrestricted, temporarily restricted and permanently restricted are displayed in the statement of financial position and the amount of change in each of those classes of net assets is displayed in the statement of activities.

These classes of net assets are briefly defined as follows:

Unrestricted - Net assets resulting from contributions and other inflows of assets whose use is not limited or restricted by donors. They generally arise as a result of exchange transactions (including contracts with government agencies), unrestricted contributions (including board designated contributions) or temporarily restricted contributions whose restrictions have expired.

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Center is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Center pursuant to those stipulations. When such stipulations end or are fulfilled, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

# VISITING NURSE ASSOCIATION OF CENTRAL JERSEY COMMUNITY HEALTH CENTER, INC.

## NOTES TO FINANCIAL STATEMENTS

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### A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Basis of Presentation (Continued)**

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Center is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Center. At December 31, 2014, the Center had no permanently restricted net assets.

#### **Income Taxes**

The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Income generated by activities that would be considered unrelated to the Center's mission would be subject to tax, which, if incurred, would be recognized as a current expense. No such tax has been recognized as of December 31, 2014.

#### **Cash and Cash Equivalents**

For purposes of the accompanying statement of cash flows, the Center considers cash and all highly liquid investments with original maturities of ninety days or less to be cash equivalents.

#### **Patient Accounts Receivable, Net**

Patient accounts receivable are recorded at established rates net of contractual and other allowances and do not bear interest. Payments of patient accounts receivable are allocated to the specific invoices identified on the remittance advice or other support received from the patients, third-party payors or other payors. The allowance for uncollectible accounts reflected in the accompanying statement of financial position is the Center's best estimate of the amount of credit losses in the Center's existing patient accounts receivable. The Center reviews its allowance for uncollectible accounts periodically and determines the estimated amount for the allowance for uncollectible accounts based on potential collection issues and historical write-off experience. Past due balances are determined based on payment history and are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

#### **Grants Receivable**

The Center considers all grants receivable to be fully collectible; accordingly, no allowances for doubtful amounts are required. If amounts become uncollectible, they will be charged to the change in net assets when that determination is made.

#### **Property and Equipment**

Property and equipment are recorded at cost, except for donated assets which are recorded at fair value at the date of donation. Depreciation is computed on a straight-line method over the estimated useful lives of the assets, which range from three to twenty-five years.

Donations of long-lived assets such as leasehold improvements, buildings or equipment are recorded at fair value on the date of the donation and reported as other changes in unrestricted net assets unless explicit donor stipulations specify how the donated assets must be used. Where applicable, donations of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service.

**VISITING NURSE ASSOCIATION OF CENTRAL JERSEY COMMUNITY HEALTH CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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**A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Operating Indicator**

The Center's operating loss reflected on the accompanying statement of activities represents its operating indicator and includes all revenue, gains, expenses and losses for the reporting period. Forgiveness of debt income is excluded.

**Net Patient Service Revenue**

Net patient service revenue is reported at the estimated net realizable amounts generated from patients, third-party payors and other payors for services rendered.

**Medicaid Wraparound Revenue**

Medicaid wraparound revenue is reported at the estimated net realizable amounts generated from claims submitted to Medicaid.

**Grants and Contracts**

The Center annually receives a number of grants. These funds are generally designated to cover current operating costs for specific programs. Revenue related to these programs is recognized as the related expenses are incurred.

**Uncompensated Care Reimbursement**

Under a letter of agreement ("LOA") executed with the New Jersey Department of Health and Senior Services, the Center is eligible to receive funds for the purpose of expanding evening and weekend hours to promote the Center as an alternative to hospital emergency departments. The LOA provides reimbursement for uninsured primary care visits for patients with family incomes at or below 250% of the federal poverty level.

Revenue from eligible uninsured patient visits is recorded at an assigned flat rate of reimbursement and is reflected in the accompanying statement of activities as state and local grants and other contracts.

During the year ended December 31, 2014, the reimbursement rate per visit received from the New Jersey Department of Health and Senior Services was \$101.

**Donated Services**

The Center receives donated services from unpaid volunteers, officers and trustees which support fundraising, administration and program efforts. The value of all donated services is not included in the accompanying financial statements as an objective measurement or valuation has not been determined and these services do not meet the criteria for recognition.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

VISITING NURSE ASSOCIATION OF CENTRAL JERSEY COMMUNITY HEALTH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

**A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**New Accounting Pronouncements**

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. ASU 2014-15 explicitly requires management to evaluate, at each annual or interim reporting period, whether there are conditions or events that exist which raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and annual and interim periods thereafter, with early adoption permitted. ASU 2014-15 will be effective for the Center for the year ending December 31, 2016. The Center is currently evaluating the impact of adopting this new standard on its financial statement disclosures.

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606) - Deferral of the Effective Date*, which defers the effective date of ASU 2014-09 by one year. The updated standard will be effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016. The updated standard will be effective for the Center for the year ending December 31, 2019. The Center has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

**B. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of December 31, 2014:

Leasehold improvements	\$ 1,500,207
Equipment	972,754
Subtotal	<u>2,472,961</u>
Less: accumulated depreciation	<u>1,422,233</u>
Total	<u>\$ 1,050,728</u>

**C. RELATED PARTY TRANSACTIONS**

The Center has entered into a number of agreements for services with VNA Health Group. A brief summary of the services and related matters are set forth below.

On January 1, 2013, the Center entered into a debt reduction agreement for the amount due to VNA Health Group. Under this agreement, if the Center pays a monthly management fee and a designated amount due from prior years by each calendar year end, a portion of the prior balance due will be forgiven. At December 31, 2014, \$397,821 was forgiven by VNA Health Group.

Under the terms of the agreement, if the Center has a positive annual margin of \$50,000 or more, the Center must pay 25% of that margin to VNA Health Group, ("VNAHG"), by January 31 of the following year as an additional amount owed to VNAHG which is presented as a reduction of debt forgiveness. For the year ended December 31, 2014 the Center had net operating loss of \$431,556, thus no additional offset to the debt forgiveness was calculated.

**VISITING NURSE ASSOCIATION OF CENTRAL JERSEY COMMUNITY HEALTH CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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**C. RELATED PARTY TRANSACTIONS (CONTINUED)**

The Center has also entered into an administrative services agreement with VNA Health Group to provide general administrative services including, but not limited to, financial, billing, development, management information, facilities, security risk management, marketing, human resources, compliance and financial advisory services. The agreement is renewed on an annual basis. Administrative fees incurred by the Center related to these services for the year ended December 31, 2014, are as follows:

Asbury Park	\$ 132,467
Keyport	55,145
Red Bank	28,594
Keansburg	28,594
Total	<u>\$ 244,800</u>

In connection with the administrative services agreement, Visiting Nurse Association of Central Jersey Foundation, Inc. ("VNACJ Foundation"), an affiliate of VNA Health Group, organizes fundraising events on behalf of the Center. All direct appropriations or funds collected by VNACJ Foundation on behalf of the Center are recorded in the accompanying statement of activities as fundraising and other revenue.

Amounts payable/(receivable) to the VNA Health Group and Affiliates at December 31, 2014, which are included in due to/from related party in the accompanying statement of financial position, are as follows:

VNA Health Group	\$ 1,367,096
VNACJ Foundation	(63,529)
VNACJ	<u>273,280</u>
Total	1,576,847
Less current portion	<u>607,572</u>
Noncurrent portion	<u>\$ 969,275</u>

The Center also has two lease agreements with VNACJ, see footnote I for additional information.

**D. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes at December 31, 2014:

Reach Out & Read Program	\$ 6,879
Ryan White Support Group	1,500
Critical Needs in the Community related to Nutrition & Dental Services	<u>2,442</u>
Total temporarily restricted net assets	<u>\$ 10,821</u>

**E. NET PATIENT SERVICE REVENUE**

The Center has agreements with third-party payors that provide for payments for services at amounts different from its established rates. Patients who do not qualify for third-party reimbursement are charged a fee for services based on a sliding scale, taking into consideration the patient's monthly income and family size. These latter patients are charged a percentage of a visit fee according to a sliding scale and allowances for sliding scale fee adjustments are taken for the portion not charged to the patients. An allowance for uncollectible accounts is provided for the portion of the fee charged to the patients but determined to be uncollectible.

**VISITING NURSE ASSOCIATION OF CENTRAL JERSEY COMMUNITY HEALTH CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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**E. NET PATIENT SERVICE REVENUE (CONTINUED)**

Medicaid and Medicare revenue is recorded as net patient service revenue and is based, in part, on cost reimbursement principles and is subject to audit and retroactive adjustment by the third-party fiscal intermediary and excludes the wraparound program. The Center is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports.

Net patient service revenue consists of the following for the year ended December 31, 2014:

<u>Payor</u>	<u>Patient Revenues</u>	<u>Allowances/ Adjustments</u>	<u>Net Patient Revenues</u>
Medicaid	\$ 1,368,745	\$ 1,058,060	\$ 310,685
Medicare	537,089	228,366	308,723
Managed care	2,988,748	2,161,891	826,857
Other third party	432,729	484,357	(51,628)
Self-pay	<u>1,220,174</u>	<u>695,608</u>	<u>524,566</u>
Net patient service revenues	<u>\$ 6,547,485</u>	<u>\$ 4,628,282</u>	<u>\$ 1,919,203</u>

Revenue from Medicare and Medicaid during the year ended December 31, 2014, was approximately 29% of patient service revenues and approximately 32% of net patient service revenues.

**F. PREMIUM REVENUE (CAPITATION)**

The Center has agreements with various Health Maintenance Organizations ("HMOs") to provide medical services to subscribing participants. Under these agreements, the Center receives monthly capitation payments based on the number of each HMOs' participants, regardless of services actually performed by the Center. In addition, the HMOs make fee-for-service payments to the Center for certain covered services based upon discounted fee schedules. During 2014, VNA earned \$547,530 of revenue related to the Capitation agreement from Horizon.

**G. 340B REVENUE**

The Center participates in the 340B "Drug Discount Program" which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Pricing Program is managed by the Health Resources and Services Administration ("HRSA") Office of Pharmacy Affairs. The Center earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Center has a network of participating pharmacies that dispense the pharmaceuticals to its patients under contract arrangement with the Center. Reported 340B revenue consists of the pharmacy reimbursements, net of the initial purchase price of the drugs, for the year ended December 31, 2014 as follows:

Gross receipts	\$ 1,228,683
Drug replenishment costs and administrative fees	<u>435,644</u>
Net revenue	<u>\$ 793,039</u>

**VISITING NURSE ASSOCIATION OF CENTRAL JERSEY COMMUNITY HEALTH CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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**H. PENSION PLAN**

The Center participates in the Noncontributory Defined Contribution Pension Plan of VNA Health Group. The plan covers substantially all employees of the Center. Under the terms of the plan, 7.5% of pensionable compensation for vested employees hired on or before December 31, 2000, and 4% for employees hired after that date, is contributed to the Plan Custodian on behalf of all employees with two years of service and who have attained twenty-one years of age. Contributions to the plan amounted to \$99,274 for the year ended December 31, 2014.

**I. LEASING ARRANGEMENTS**

**Facility and Equipment**

The Center conducts operations in leased facilities located in Asbury Park and Red Bank, New Jersey. These two facilities are leased from a related party, VNACJ. The leases are classified as operating leases and are renegotiated annually. Annual rent expense for 2014 was \$145,496 payable in equal monthly installments of \$12,133.

In addition to the lease commitments with the related party, the Center also rents space for the facilities located in Keansburg and Keyport, New Jersey. Rent expense for those facilities was \$114,636 payable in monthly installments of \$9,553, for the year ended December 31, 2014.

Future minimum lease payments required under these non-cancelable facility and equipment leases in years subsequent to December 31, 2014, are as follows:

2015	\$	114,636
2016		114,636
2017		<u>31,302</u>
Total	\$	<u>260,574</u>

**J. COMMITMENTS AND CONTINGENCIES**

The Center is periodically subject to claims and lawsuits that arise in the ordinary course of business. Management believes that any losses resulting from such matters, if any, would be covered in whole or in part by the Center's liability insurance policies or coverage and would not have a material effect on the financial position or changes in net assets of the Center.

**K. LINE OF CREDIT**

The Center entered into a commercial line of credit in the amount of \$150,000 with a national bank on January 11, 2007. The line of credit is subject to renewal on an annual basis at the sole discretion of the bank. The bank has renewed the line of credit and extended the maturity date of the line of credit to January 11, 2016. Interest is payable monthly at the index rate, which is defined as the highest Prime Rate as published in the "Money Rates" section of the Wall Street Journal, such rate being 4.50% at December 31, 2014. The line of credit is secured under a first UCC-1 lien security interest on all assets of the Center. The outstanding balance on the line of credit was \$148,163 at December 31, 2014.

# VISITING NURSE ASSOCIATION OF CENTRAL JERSEY COMMUNITY HEALTH CENTER, INC.

## NOTES TO FINANCIAL STATEMENTS

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### **L. CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of cash balances in financial institutions in excess of federally insured limits and patient accounts receivable. With respect to cash in financial institutions, which may periodically during the year exceed federally insured limits, the Center has not experienced any losses in such accounts. The Center believes it is not exposed to any significant credit risk on the balances maintained in the financial institutions.

The Center grants credit without collateral to insured, underinsured, uninsured and disenfranchised patients of the communities served.

### **M. MALPRACTICE RISK**

Effective September 29, 2006, the Center was approved for Malpractice Liability Insurance Coverage by the Health Resources and Services Administration ("HRSA") in accordance with Section 224(g) of the Public Health Service ("PHS") Act, as amended by the Federally Supported Health Centers Assistance Act of 1995 ("FSHCA"). As such, the Center is considered to be an employee of the PHS and is provided liability protection under the Federal Tort Claims Act ("FTCA") for damage for personal injury, including death, resulting from the performance of medical, surgical, dental and related functions. This protection is exclusive of any other civil action or proceeding. FTCA coverage is comparable to an "occurrence" policy without a monetary cap. Coverage is contingent on assurances provided by the Center in an annual application and the continued funding to the Center under Section 330 of the PHS Act. Coverage has been renewed by HRSA through December 31, 2015. The Center previously maintained malpractice insurance coverage on a claims-made basis. In connection with the initial application process, the Center was required to obtain tail insurance coverage to cover occurrences prior to the effective date of FTCA coverage.

The Center has determined, based on its own experience and industry experience data, that its potential liability for unreported claims is insignificant, and as such, no liability for unreported claims is included in the accompanying financial statements.

### **N. SELF-INSURED HEALTH BENEFITS**

The Center participates in a self-insurance program of VNA Health Group which covers health claims for substantially all its employees. VNA Health Group maintained reinsurance of \$150,000 per employee and approximately \$9,200,000 of coverage in the aggregate for the policy period January 1, 2014, through December 31, 2014. A liability for the Center's self-insured portion of the estimated incurred but unpaid claims of the VNA Health Group program in the amount of \$23,953 has been recorded as of December 31, 2014, based upon an analysis of historical paid claims activity. This amount is included in accrued expenses in the accompanying statement of financial position.

**VISITING NURSE ASSOCIATION OF CENTRAL JERSEY COMMUNITY HEALTH CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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**O. FUNCTIONAL EXPENSES**

The Center provides primary and preventive health care services to individuals within its geographic locations. Expenses related to providing these services and for administrative expenses for the year ended December 31, 2014, are as follows:

Community-Based Health Care	\$ 3,729,263
Administrative services	<u>1,731,938</u>
Total	<u>\$ 5,461,201</u>

**P. OTHER THAN PERSONNEL SERVICES EXPENSES**

Other than personnel services expenses incurred by the Center, related to the unrestricted net assets category in the accompanying statement of activities in connection with its operations for the year ended December 31, 2014, are summarized as follows:

Consultants	\$ 194,457
Administrative services	244,800
Professional fees	127,377
Insurance	104,490
Occupancy costs	272,699
Repairs and maintenance	57,831
Licenses, dues and fees	102,698
Printing	5,642
Purchased lab services	48,878
Program, medical, reference materials and other supplies	124,525
Postage	492
Minor equipment and equipment rental	9,652
Training and seminars	13,620
Travel	9,001
Community awareness	2,437
Miscellaneous	<u>11,453</u>
Total other than personnel services expenses	<u>\$ 1,330,052</u>

**Q. SUBSEQUENT EVENTS**

Management has evaluated events after December 31, 2014, but before September 23, 2015, the date the financial statements were available to be issued. The following matter occurred subsequent to December 31, 2014. On March 24, 2015, a claim was asserted against the Center, however, in the opinion of management, the outcome is not presently determinable, thus no liability is reported.

**SUPPLEMENTARY INFORMATION**

**VISITING NURSE ASSOCIATION OF CENTRAL JERSEY COMMUNITY HEALTH CENTER, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended December 31, 2014

Federal Awarding Agency/Pass-through Entity/ Program or Cluster Title	CFDA Number	Award Number	Award Amount	Award Period	Current Year Expenditures	Cumulative Expenditures
U.S. Department of Health and Human Services, Health Resources & Services Administration (HRSA):						
Health Center Cluster	93.224	6H80CS00874-11-14	\$ 915,822	3/01/2013 - 2/28/2014	\$ 727,377	\$ 91,582
Health Center Cluster	93.224	6H80CS00874-12-11	1,098,331	3/01/2014 - 2/28/2015	378,162	378,162
Ryan White Part C Outpatient EIS Program	93.918	6H76HA00783-11-01	277,875	4/01/2013 - 3/31/2014	73,269	277,875
Ryan White Part C Outpatient EIS Program	93.918	6H76HA00783-12-00	277,875	4/01/2014 - 3/31/2015	277,875	277,875
Community Health Disparity Prevention Program	46.040	MGMT14HDPO 46	36,000	10/01/2013 - 6/30/2014	36,000	36,000
<b>Total</b>			<b>\$ 2,605,903</b>		<b>\$ 1,492,683</b>	<b>\$ 1,061,494</b>

See notes to the schedule.

**VISITING NURSE ASSOCIATION OF CENTRAL JERSEY COMMUNITY HEALTH CENTER, INC.**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (THE "SCHEDULE")**  
Year Ended December 31, 2014

*Note 1. Basis of Presentation*

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Center under programs of the federal government for the year ended December 31, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

*Note 2. Summary of Significant Accounting Policies*

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

*Note 3. The U.S. Department of Health and Human Services- Ryan White Part C Outpatient EIS Program*

The U.S. Department of Health and Human Services requires budget to actual schedules for the Ryan White Part C Outpatient EIS program.

Contract #6H76HA00783-12-00 Project Period September 30, 2002 to March 31, 2015 Award Period April 1, 2014 to March 31, 2015	Approved Budget	04/01/2014- 12/31/2014 Expenditures	01/01/2015- 03/31/2015 Expenditures
<u>Cost Category</u>			
Salaries/Wages	\$ 206,343	\$ 206,343	\$ -
Fringe Benefits	57,776	57,776	-
Supplies	3,390	3,390	-
Travel	1,662	1,662	-
Contractual	8,704	8,704	-
Total	<u>\$ 277,875</u>	<u>\$ 277,875</u>	<u>\$ -</u>

*Program income collected during this grant period related to Ryan White patients amounted to approximately \$42,699 and is being used for eligible project objectives.*

Contract #6H76HA00783-11-01 Project Period September 30, 2002 to March 31, 2015 Award Period April 1, 2013 to March 31, 2014	Approved Budget	01/01/2014- 03/31/2014 Expenditures	04/01/2013- 12/31/2013 Expenditures
<u>Cost Category</u>			
Salaries/Wages	\$ 206,343	\$ 33,594	\$ 172,749
Fringe Benefits	57,776	29,113	28,663
Supplies	1,316	-	1,316
Travel	1,712	1,262	450
Contractual	10,728	9,300	1,428
Total Cost	<u>\$ 277,875</u>	<u>\$ 73,269</u>	<u>\$ 204,606</u>

*Program income collected during this grant period related to Ryan White patients amounted to approximately \$140,163 and is being used for eligible project objectives.*

**VISITING NURSE ASSOCIATION OF CENTRAL JERSEY COMMUNITY HEALTH CENTER, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended December 31, 2014

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**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued: ***Unmodified***

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ Yes   X   No
- Significant deficiencies identified? \_\_\_\_\_ Yes   X   None Reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes   X   No

***Federal Awards***

Internal control over major programs:

- Material weaknesses identified? \_\_\_\_\_ Yes   X   No
- Significant deficiencies identified? \_\_\_\_\_ Yes   X   None Reported

Type of auditors' 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   X   No

Identification of major programs:

<u>CFDA Number</u>	<u>Award Number</u>	<u>Name of Program or Cluster</u>
93.224	6H80CS00874-11-14 6H80CS00874-12-11	U.S. Department of Health and Human Services, Health Resources & Services Administration: Health Center Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$   300,000  

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes   X   No

**Section II- Financial Statement Findings: *None noted***

**Section III- Federal and State Award Findings and Questioned Costs: *None noted***

**VISITING NURSE ASSOCIATION OF CENTRAL JERSEY COMMUNITY HEALTH CENTER, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

Year Ended December 31, 2014

**Section IV- Prior Year Audit Findings**

**Finding 2013-01**

**Audit Finding:** The Center did not reconcile its primary operating bank accounts and several of its nonoperating bank accounts on a regular and timely basis during the year. The bank reconciliations for the statements received during the year ended December 31, 2013, were not prepared until the Summer of 2014. At that time, reconciliations were prepared for the entire year.

**Corrective Action:** A finance policies and procedures manual was written and approved by the board. Bank statements are reconciled and reviewed on a monthly basis.

**Finding 2013-02**

**Audit Finding:** During audit fieldwork management notified the auditors that a former employee had returned cash of \$7,287.50 and deposit records to the Center four months after their employment was terminated. At that time, the Center initiated an investigation to determine if all of the cash deposits collected by the Center had been deposited into the Center's bank accounts. The investigation revealed that certain deposit slips were missing but the total dollar amount of the cash and checks were \$12,855.38 less than what was deposited into the bank account.

**Corrective Action:** The bank reconciliation's are being done on a monthly basis prior to the financial close. Once the bank reconciliations are done by the accountant the finance and operations manager than reviews them for accuracy and signs off that they are complete and balance to the general ledger. This is the start of the month end close which is the start of the monthly checklist that is now being used in the finance department.

**Finding 2013-03**

**Audit Finding:** During audit fieldwork we observed year end bank reconciliations and supporting bank statements for the debit account which reflected cash withdrawals of amounts in excess of \$2,000. In addition, multiple withdrawals on the same day or in consecutive days can exceed the \$2,000 threshold. The \$2,000 threshold is the limit on single signature authority for check writing purposes on the operating account.

**Corrective Action:** Management has developed a policy which aligns with all cash management and oversight functions. This includes, specifically setting a distribution limit on the debit account. The board of trustees president and treasurer review the monthly activity of the debit account.

**Finding 2013-04**

**Audit Finding:** Three out of four quarterly reports were not submitted timely. In addition, there was an insufficient audit trail documenting the quarterly activity including drawdowns from the funder.

**Corrective Action:** Management has developed a due date list for grant submissions and keeps schedules of monthly drawdowns.

**Finding 2013-05**

**Audit Finding:** The Center was not in compliance with the terms of OMB Circular A-133 compliance reporting deadlines.

**Corrective Action:** The Center has closed the books for audit earlier this year in order to meet the filing deadlines.

**INDEPENDENT AUDITORS' 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 Trustees of  
Visiting Nurse Association of Central Jersey Community Health Center, Inc.

We have audited, 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, the financial statements of Visiting Nurse Association of Central Jersey Community Health Center, Inc. (the "Center"), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2015.

**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.

*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.

- AN INDEPENDENTLY OWNED MEMBER,  
MCGLADREY ALLIANCE
- AMERICAN INSTITUTE OF  
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- NEW JERSEY SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS
- NEW YORK SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS
- PENNSYLVANIA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS
- AICPA'S PRIVATE COMPANIES PRACTICE  
SECTION
- AICPA'S CENTER FOR AUDIT QUALITY
- REGISTERED WITH THE PCAOB

**INDEPENDENT AUDITORS' 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* (CONTINUED)**

**Internal Control Over Financial Reporting (Continued)**

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 considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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.

*Mercadieu, P.C.*  
*Certified Public Accountants*

September 23, 2015

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Trustees of  
Visiting Nurse Association of Central Jersey Community Health Center, Inc.

### Report on Compliance for Each Major Federal Program

We have audited Visiting Nurse Association of Central Jersey Community Health Center, Inc.'s (the "Center") compliance with the types of compliance requirements described in *OMB Circular A-133, Compliance Supplement* that could have a direct and material effect on the Center's major federal program for the year ended December 31, 2014. The Center's major federal program is identified in the summary of auditors' 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.

### Auditors' 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; 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.

- AN INDEPENDENTLY OWNED MEMBER, MCGLADREY ALLIANCE
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- REGISTERED WITH THE PCAOB

# INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 (CONTINUED)

## **Auditors' Responsibility (Continued)**

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, 2014.

## **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. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 (CONTINUED)**

**Report on Internal Control Over Compliance (Continued)**

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.

*Mercadieu, P.C.*

*Certified Public Accountants*

September 23, 2015