

EL CENTRO DEL BARRIO

**FINANCIAL STATEMENTS WITH COMPLIANCE
AND SINGLE AUDIT REPORTING**

MARCH 31, 2014 AND 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
El Centro del Barrio
San Antonio, Texas

Report on the Financial Statements

We have audited the accompanying statements of financial position of El Centro del Barrio, a non-profit corporation, as of March 31, 2014 and 2013, and the related statements of activities (with comparative totals for 2013), functional expenses (with comparative totals for 2013) and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of El Centro del Barrio as of March 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other 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 and state awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Texas Single Audit Circular, issued by the Office of the Governor of the State, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2014, on our consideration of El Centro del Barrio'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 El Centro del Barrio's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Douglas & Walker". The signature is written in a cursive, flowing style.

San Antonio, Texas
June 24, 2014

EL CENTRO DEL BARRIO
STATEMENTS OF FINANCIAL POSITION
March 31, 2014 and 2013

	2014	2013
ASSETS		
Cash and Cash Equivalents	\$ 1,190,056	\$ 1,926,013
Investments	4,009,001	7,191,763
Receivables:		
Promises to Give	100,000	118,000
Grants and Contracts	2,462,956	1,186,421
Patient Fees, net of allowance	4,780,759	2,495,461
Other	231,629	297,574
Prepaid Expenses and Deposits	221,621	240,618
Unamortized Debt Issuance Cost, net	416,852	439,084
Inventory	75,716	75,250
Property and Equipment, net	32,676,675	32,465,803
TOTAL ASSETS	\$ 46,165,265	\$ 46,435,987
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 1,843,748	\$ 1,513,025
Contingent Liabilities	101,194	375,422
Deferred Revenue	872,567	954,320
Accrued Payroll Related Liabilities	1,253,256	1,024,554
Other Accrued Liabilities	756,997	758,410
Derivative Financial Instruments	1,167,774	1,890,690
Notes Payable	80,661	217,032
Bonds Payable	13,455,000	13,810,100
TOTAL LIABILITIES	19,531,197	20,543,553
NET ASSETS		
Unrestricted	26,606,985	25,821,601
Temporarily Restricted	27,083	70,833
TOTAL NET ASSETS	26,634,068	25,892,434
TOTAL LIABILITIES AND NET ASSETS	\$ 46,165,265	\$ 46,435,987

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

EL CENTRO DEL BARRIO
STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2014
(with comparative totals for 2013)

	<u>2014</u>		<u>2013</u>
	<u>Unrestricted</u>	<u>Temporary Restricted</u>	
PUBLIC SUPPORT AND REVENUE			
PUBLIC SUPPORT			
US Dept of Health and Human Services	\$ 8,410,098	\$ -	\$ 8,410,098
Texas Dept of State Health Services	2,916,472	-	2,916,472
Christus Santa Rosa Healthcare	2,089,403	-	2,089,403
Walgreen Pharmaceuticals	1,914,636	-	1,914,636
Methodist Healthcare Ministries	1,440,788	-	1,440,788
Contributions	1,188,751	-	1,188,751
Pharmaceutical - In-Kind	794,976	-	794,976
University of Texas Health Science Center	707,790	-	707,790
University Health Systems	670,188	-	670,188
United Way	551,365	-	551,365
Texas Medicaid EHR Incentive Program	425,000	-	425,000
Bexar County / AACOG	374,798	-	374,798
Kronkosky Foundation	281,175	-	281,175
Facility - In-Kind	266,812	-	266,812
Susan Komen Breast Cancer Grant	166,000	-	166,000
Respite Care of San Antonio	125,717	-	125,717
City of San Antonio	121,709	-	121,709
Center for Healthcare Services	118,399	-	118,399
Baptist Hospital	100,000	-	100,000
TACHC Community Partners	65,910	-	65,910
McKenna Foundation	37,917	27,083	65,000
Methodist Metropolitan Hospital	12,568	-	12,568
Texas Dept of Human Services	10,187	-	10,187
Creekmore Adele Foundation	-	-	-
Net Assets Released from Restrictions	70,833	(70,833)	-
TOTAL PUBLIC SUPPORT	<u>22,861,492</u>	<u>(43,750)</u>	<u>22,817,742</u>
REVENUE			
Program and Patient Fees, net of expenses	20,676,559	-	20,676,559
Methodist Healthcare	1,003,065	-	1,003,065
Fitness Center / Ballroom	682,457	-	682,457
Interest Income	158,464	-	158,464
Miscellaneous	141,242	-	141,242
Rental Income	112,203	-	112,203
FQHC Settlements	-	-	-
Realized (Loss) Gain on Investments	(154,457)	-	(154,457)
Unrealized Loss on Investments	(55,446)	-	(55,446)
TOTAL REVENUE	<u>22,564,087</u>	<u>-</u>	<u>22,564,087</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>45,425,579</u>	<u>(43,750)</u>	<u>45,381,829</u>
EXPENSES			
Program Services	39,826,101	-	39,826,101
General and Administrative	5,537,010	-	5,537,010
TOTAL EXPENSES	<u>45,363,111</u>	<u>-</u>	<u>45,363,111</u>
CHANGE IN NET ASSETS	62,468	(43,750)	18,718
OTHER ITEMS			
Gain (Loss) on Derivative Financial Instrument	722,916	-	722,916
CHANGE IN NET ASSETS AFTER OTHER ITEMS	785,384	(43,750)	741,634
NET ASSETS - BEGINNING OF YEAR	25,821,601	70,833	25,892,434
NET ASSETS - END OF YEAR	<u>\$ 26,606,985</u>	<u>\$ 27,083</u>	<u>\$ 26,634,068</u>

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

EL CENTRO DEL BARRIO
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 2014
(with comparative totals for 2013)

	2014			2013 Total
	Program Services	Supporting Services	Total	
Salaries and Related Expenses	\$ 25,230,591	\$ 3,820,727	\$ 29,051,318	\$ 26,476,377
Professional Fees	3,754,882	413,543	4,168,425	3,512,252
Occupancy	2,366,570	200,043	2,566,613	2,603,083
Supplies	1,950,679	137,093	2,087,772	2,088,647
Depreciation	1,692,372	34,801	1,727,173	1,691,793
Pharmaceutical Supplies	1,368,236	-	1,368,236	1,183,173
Pharmaceutical In-Kind	794,976	-	794,976	2,264,864
Equipment Rental and Repair	420,221	281,535	701,756	463,631
Telephone	565,956	95,844	661,800	676,307
Interest Expense	581,326	64,592	645,918	664,076
Promotions and Outreach	576,555	-	576,555	484,566
Miscellaneous Expense	16,450	165,744	182,194	127,679
Printing and Publishing	114,152	61,671	175,823	91,786
Travel	133,592	39,564	173,156	138,842
Insurance	108,250	31,787	140,037	88,374
Service Fees	105,736	-	105,736	98,777
Conferences and Meetings	35,417	66,839	102,256	74,136
Membership Dues	2,089	62,221	64,310	63,886
Postage and Shipping	951	61,006	61,957	62,445
Direct Assistance	7,100	-	7,100	10,111
TOTAL EXPENSES	\$ 39,826,101	\$ 5,537,010	\$ 45,363,111	\$ 42,864,805

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

EL CENTRO DEL BARRIO
STATEMENTS OF CASH FLOWS
Years Ended March 31, 2014 and 2013

	2014	2013
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ 741,634	\$ 1,453,705
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	1,727,173	1,691,793
Amortization of Debt Issuance Costs	22,232	22,232
Revenue Recognized from Forgiveness of Debt	(136,371)	(169,022)
Donated Asset	(828,027)	-
Realized Loss on Investments	154,457	-
Unrealized Loss on Investments	55,446	(158,507)
(Gain) Loss on Derivative Financial Instruments	(722,916)	122,563
Decrease/(Increase) in Assets:		
Promises to Give	18,000	92,000
Grants and Contracts	(1,276,535)	(164,053)
Patient Fees	(2,285,298)	(374,675)
Medicaid FQHC Cost Settlements	-	258,144
Other	65,945	(198,144)
Prepaid Expenses and Deposits	18,997	32,081
Inventory	(466)	12,312
Increase/(Decrease) in Liabilities		
Accounts Payable	330,723	475,678
Contingent Liabilities	(274,228)	(219,114)
Deferred Revenue	(81,753)	(132,152)
Accrued Payroll Related Liabilities	228,702	39,365
Other Accrued Liabilities	(1,413)	51,414
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(2,243,698)	2,835,620
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of 457(b) Plan	(17,500)	(17,000)
Purchase of Certificates of Deposit	(2,702,000)	-
Sale of Certificates of Deposit	2,180,000	695,000
Purchase of Mutual Funds	(4,602,518)	(3,236,832)
Sale of Mutual Funds	8,244,877	2,525,677
Purchase of Bond Investments	(1,323,000)	(1,011,000)
Sale of Bond Investments	1,193,000	960,000
Purchase of Property and Equipment	(1,110,018)	(1,358,928)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,862,841	(1,443,083)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payments on Bonds Payable	(355,100)	(334,900)
NET CASH USED BY FINANCING ACTIVITIES	(355,100)	(334,900)
Net (Decrease)/Increase in Cash Flow	(735,957)	1,057,637
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	1,926,013	868,376
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	\$ 1,190,056	\$ 1,926,013
<u>SUPPLEMENTAL DISCLOSURES</u>		
Interest Paid	\$ 645,918	\$ 664,076

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

EL CENTRO DEL BARRIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2014 and 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

El Centro del Barrio dba CentroMed (the Agency) is a non-profit, community based, bilingual, bicultural human service organization established in 1971 to address the health and human service needs of Bexar County. The Agency's mission is to improve the health status of the community by providing comprehensive quality care with an emphasis on patients who are medically indigent.

The following is a description of the programs the Agency administered during the years:

Community Health Centers – These centers provide comprehensive primary care services including family medicine, pediatric care, obstetrics, gynecology and dental care. Ancillary services provided include laboratory, pharmacy and health education services.

Health Care for the Homeless – This program provides primary health care services to families, children and adults who are homeless or at high risk of becoming homeless. Other services include counseling, outreach, child development and case management services.

Elder Services – This program consists of daily activities, field trips and warm meals in a loving environment emphasizing recreation and socialization. The services are designed to delay or negate the need for long term care of the senior population and to provide respite for caregivers.

Family Resource Center – This program provides clinical counseling services addressing social, psychological and/or behavioral problems. The program focuses on families and children as its primary target group.

Women, Infants and Children (WIC) Nutritional Assistance Program – This program counteracts the high incidence of nutrition-related health problems such as anemia, low-birth weight and malnutrition by providing mothers with the knowledge and resources to prepare healthy, well-balanced meals. The program is available to infants and children under the age of five and pregnant and breastfeeding mothers.

HIV Early Intervention Program – This program provides primary care services to adults who have tested positive for the HIV virus. The program also provides confidential HIV testing, patient education and counseling services to reduce the risk and prevent an increase in the rate of infection.

Basis of Accounting

The financial statements of the Agency have been prepared on the accrual basis of accounting following current standards applicable to non-profit organizations.

EL CENTRO DEL BARRIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2014 and 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In accordance with *Not-for-Profit Entities* topic of Accounting Standards Codification (ASC), the Agency reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets – Net assets that are the remaining part of the Agency’s net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Property and equipment are included in unrestricted net assets.

Temporarily Restricted Net Assets – Net assets that result from contributions and other inflow of assets that are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Agency pursuant to those stipulations. 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 as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor imposed restrictions that such assets be maintained permanently. Generally, the donor permits the organization to expend all or part of the income earned from the related assets for general or specific purposes. The Agency has no permanently restricted assets for the years ended March 31, 2014 and 2013, respectively.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted assets are reclassified to unrestricted net assets and reported in the Statement of Activity as net assets released from restrictions. Federal grant awards are classified as refundable advances until expended for the purposes of the grants, as they are conditional promises to give.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual expenses could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Agency considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

EL CENTRO DEL BARRIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2014 and 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are presented at fair values based on quoted market prices.

In-Kind Contributions and Donated Services

In-kind contributions for leased space and utilities at various clinical sites consisted of \$266,812 and \$558,987 for 2014 and 2013, respectively. Lease and utilities are valued at cost.

Pfizer, Inc., through their Share the Care program, contributed \$794,976 and \$2,264,864 in pharmaceutical supplies for 2014 and 2013, respectively. These drugs are valued at cost.

The Agency issued \$12,223,852 and \$11,913,796 in WIC vouchers received from the Texas Department of State Health Services for 2014 and 2013, respectively. The vouchers were valued at average redeemed value; however, they are not reflected on the financial statements.

A substantial number of unpaid volunteers have made significant contributions of their time and service. Since it is difficult to place a value on their service, these contributions are not included in these financial statements.

Receivables and Patient Fee Income

Grants and contracts receivable primarily represent balances due from the various grantors for funds billed under the terms of the contract. Patient fees are due from the patient, the patient's insurance company, the patient's subsidy program, or the Federal government under Medicare, Medicaid, Title V or Family Planning programs.

Patient fees and Medicaid Federally Qualified Health Center (FQHC) receivables are reported net of allowances for uncollectible amounts. The allowance for uncollectible patient fee amounts for the years ended March 31, 2014 and 2013 was \$434,830 and \$186,273, with bad debt expense of \$905,427 and \$1,117,619, respectively.

Comparative Totals

Comparative amounts for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in El Centro del Barrio's financial position and operations. In certain cases, the amounts previously reported in 2013 have been reclassified in order to conform to the 2014 presentation.

Uncompensated Care

The Agency reports patient fee income net of discounts allowed to patients eligible for reduced cost medical care. For the years ended March 31, 2014 and 2013, the Agency provided \$22,603,598 and \$17,347,416, respectively, in reduced or non-billable primary care service.

EL CENTRO DEL BARRIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2014 and 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair market value on the date donated. Expenses for betterments that materially extend the useful life of an asset are capitalized at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. Property and equipment are capitalized if the cost is in excess of \$5,000.

Compensated Absences

Employees of the Agency earn annual leave on a bi-weekly basis. Each employee is entitled to receive as compensation a maximum of 160 hours of earned but unused annual leave upon termination of employment. The total compensated absences accrued liability for the years ended March 31, 2014 and 2013 was \$648,410 and \$660,370, respectively, and is included in Other Accrued Liabilities.

Federal Income Taxes

El Centro del Barrio, a nonprofit corporation operating under Section 501(c) (3) of the Internal Revenue Code, is exempt from federal income taxes, and, accordingly, no provision for income taxes is included in the financial statements.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2: INVESTMENTS

At March 31, 2014 and 2013, the Agency's investments consisted of the following:

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of Deposit	\$2,034,000	\$2,022,651	\$1,439,000	\$1,454,848
Government and Corporate Securities	1,569,168	1,569,084	1,625,141	1,568,717
Other	108,587	108,587	98,040	98,040
Mutual Funds	308,679	308,679	4,078,495	4,070,158
Total	<u>\$4,020,434</u>	<u>\$4,009,001</u>	<u>\$7,240,676</u>	<u>\$7,191,763</u>

Certificates of Deposit are insured by the Federal Deposit Insurance Corporation, which protects investments up to \$250,000. Certificates of Deposit were all purchased below \$250,000.

The Agency maintains a Section 457 deferred compensation plan as a supplement to an executive compensation program. The fair values of these investments were \$108,587 and \$98,040 as of March 31, 2014 and 2013, respectively, and are included in Other in the table above.

EL CENTRO DEL BARRIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2014 and 2013

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment held by the Agency as of March 31, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Land	\$ 2,793,754	\$ 2,194,560
Building	31,562,934	27,579,847
Leasehold Improvements	1,091,096	4,395,592
Office Furniture and Equipment	4,372,956	3,340,803
Medical Equipment	501,932	501,932
Dental Equipment	1,439,862	1,274,328
Kitchen Equipment	580	580
Sign	301,766	301,766
Fitness Equipment	60,305	60,305
Ballroom Equipment	8,042	8,042
Construction in Progress	57,863	1,026,177
Less: Accumulated Depreciation	<u>(9,514,415)</u>	<u>(8,218,129)</u>
Total	<u>\$ 32,676,675</u>	<u>\$ 32,465,803</u>

Depreciation expense for the years ended March 31, 2014 and 2013 is \$1,727,173 and \$1,691,793, respectively.

NOTE 4: PROMISES TO GIVE

The fair value of unconditional promises to give at March 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Less Than One Year	\$ 100,000	\$ 68,000
One to Five Years	<u>-</u>	<u>50,000</u>
Total	<u>\$ 100,000</u>	<u>\$ 118,000</u>

The Agency believes the amount is fully collectible; therefore, no allowance for uncollectible amounts has been provided.

NOTE 5: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Primary Care Services Program	\$ -	\$ 12,500
2014 Operations	-	58,333
2015 Operations	<u>27,083</u>	<u>-</u>
Total	<u>\$ 27,083</u>	<u>\$ 70,833</u>

EL CENTRO DEL BARRIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2014 and 2013

NOTE 6: OPERATING LEASES

The Agency leases office facilities and equipment under operating leases expiring in various years through January 2019. In addition, the Agency also has incurred rental expenses for equipment leases that expire in various years.

Minimum future rental payments under non-cancelable operating leases, which have remained in excess of one (1) year from March 31, 2014, are in aggregate as follows:

<u>Year Ended March 31,</u>	<u>Amount</u>
2015	\$ 575,222
2016	414,765
2017	146,845
2018	90,722
2019	<u>75,602</u>
Total	<u>\$ 1,303,156</u>

Rental expense under these operating leases for the years ended March 31, 2014 and 2013 are \$1,335,384 and \$1,594,138, respectively. These leases are included in Occupancy in the Statement of Functional Expenses.

NOTE 7: CONVEYANCE OF PALO ALTO CLINIC

In 2014, the City of San Antonio donated the previously leased Palo Alto Clinic property to the Agency. The appraised value of the land and facility totaled \$4,200,000. After fully recognizing the undepreciated value of prior capitalized leasehold improvements, the Agency recorded a gain on conveyance in the amount of \$1,054,201. The value of this gain is reflected in Contributions in the Statement of Activities.

NOTE 8: NOTES PAYABLE

The Agency's obligations under notes payable consist of the following:

	2014	2013
Note payable to Christus Santa Rosa Health Care at Prime +1 for up to \$194,295. The loan is a Physician Recruitment Agreement and is interest free and payment free unless the Agency defaults on the terms of the note. The loan matures October 1, 2014 and contains a principal forgiveness provision up to the loan amount. The loan is secured with a pledge of accounts receivable and payments are forgiven monthly.	\$ 37,779	\$ 102,544
Note payable to Christus Santa Rosa Health Care at Prime +1 for up to \$33,649. The loan is a Physician Recruitment Agreement and is interest free and payment free unless the Agency defaults on the terms of the note. The loan matures July 1, 2014 and contains a principal forgiveness provision up to the loan amount. The loan is secured with a pledge of accounts receivable and payments are forgiven monthly.	-	4,933

EL CENTRO DEL BARRIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2014 and 2013

NOTE 8: NOTES PAYABLE (Continued)

	2014	2013
<p>Note payable to Christus Santa Rosa Health Care at Prime +1 for up to \$46,210 as of March 31, 2012. The loan is a Physician Recruitment Agreement and is interest free and payment free unless the Agency defaults on the terms of the note. The loan matures April 1, 2015 and contains a principal forgiveness provision up to the loan amount. The loan is secured with a pledge of accounts receivable and payments are forgiven monthly.</p>	\$ 20,538	\$ 35,941
<p>Note payable to Christus Santa Rosa Health Care at Prime +1 for up to \$89,376. The loan is a Physician Recruitment Agreement and is interest free and payment free unless the Agency defaults on the terms of the note. The loan matures December 1, 2014 and contains a principal forgiveness provision up to the loan amount. The loan is secured with a pledge of accounts receivable and payments are forgiven monthly.</p>	22,344	52,136
<p>Note payable to Methodist Healthcare System at Prime + 1% for up to \$75,409. The loan is a Physician Recruitment Agreement and is interest free and payment free unless the Agency defaults on the terms of the note. The loan contains a principal forgiveness provision up to the loan amount. Forgiveness of the loan begins September 1, 2010 and matures September 1, 2013. The loan is secured with a pledge of accounts receivable and payments are forgiven monthly.</p>	-	12,568
<p>Note payable to Christus Santa Rosa Health Care at Prime + 1% for up to \$53,460. The loan is a Physician Recruitment Agreement and is interest free and payment free unless the Agency defaults on the terms of the note. The loan contains a principal forgiveness provision up to the loan amount. Forgiveness of the loan begins March 31, 2010 and matures August 15, 2014. The loan is secured with a pledge of accounts receivable and payments are forgiven monthly.</p>	-	8,910
Total	<u>\$ 80,661</u>	<u>\$ 217,032</u>

Future minimum principal payments on these notes are as follows:

Year Ended March 31,	Amount
2015	\$ 75,526
2016	5,135
Total	\$ 80,661

Total interest incurred in 2014 and 2013 is related to the Agency's financial arrangements for the construction of its facilities. Interest expense for the years ended March 31, 2014 and 2013 was \$645,918 and \$664,076, respectively (see Notes 6 and 9).

EL CENTRO DEL BARRIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2014 and 2013

NOTE 9: BONDS PAYABLE

The Agency's obligations under bonds payable consist of the following:

Bexar County Health Development Corporation (the Issuer) issued Variable Rate Demand Health Care Revenue Bonds (El Centro del Barrio Project) Series 2007A and Series 2007B dated December 1, 2007 through the Bexar County Housing Finance Corporation. The bonds closed and funded on December 13, 2007 with proceeds initially held by the Bank of New York. The bonds' proceeds were used to construct and equip a 71,222 square foot health and wellness center located at 3750 and 3800 Commercial Avenue and were underwritten by JP Morgan Chase Bank through a Letter of Credit and Reimbursement Agreement dated December 1, 2007. The letter of credit agreement is secured by property and improvements located at 6315 S. Zarzamora, 910 Wagner and property and improvements located at 3750 & 3800 Commercial Avenue. The interest rate is variable based on the Securities Industry and Financial Markets Association (SIFMA) Municipal SWAP Index rate. As of March 31, 2014 and 2013, the outstanding balance on the bond payables were \$13,455,000 and \$13,810,100, respectively.

Total issuance cost paid for these bonds at date of issuance was \$555,802. The total issuance cost amortized during the fiscal years ended March 31, 2014 and 2013 was \$22,232 and \$22,232, respectively.

Effective January 17, 2008, El Centro del Barrio entered into a SWAP agreement with Lehman Brothers to fix a portion of the variable rate associated with the bond issue. The SWAP agreement notional amount is \$13,500,000 with scheduled reductions to begin December 1, 2013 and annually thereafter until termination. The termination date of the SWAP is December 1, 2027. The SWAP fixed rate of 3.247% is payable by El Centro del Barrio and the SWAP floating rate of 67% of USD-LIBOR-BBA is payable by Lehman Brothers.

On September 15, 2008 Lehman Brothers Holding filed for Chapter 11 bankruptcy in the U.S. Bankruptcy Court Southern District of New York. On October 3, 2008 Lehman Brothers Special Financing Inc., the counterparty to the agreement, also filed for Chapter 11 bankruptcy protection. Both bankruptcies are Events of Default under the Interest Rate Agreement. On October 16, 2008 the Agency notified Lehman Brothers of the Event of Default and designated an Early Termination Date of October 17, 2008, effectively dissolving the SWAP agreement with Lehman Brothers.

Effective December 1, 2008, the Agency entered into a new SWAP agreement with Morgan Stanley Capital Services Inc. The SWAP agreement notional amount is \$13,500,000 with scheduled reductions to begin December 1, 2013 and annually thereafter until termination. The SWAP fixed rate of 2.87% is payable by the Agency and the SWAP floating rate of 67% of USD-LIBOR-BBA is payable by Morgan Stanley Capital Services Inc.

The Agency's purpose in entering into the SWAP was to hedge against the risk of interest rate increases on the related variable rate debt. Accordingly, the SWAP arrangement is classified as a fair value hedging activity and represents a derivative financial instrument. This derivative financial instrument is not held for trading purposes.

The Agency accounts for this derivative financial instrument in accordance with ASC 815. Accordingly, the derivative financial instrument is reflected on the balance sheet at its fair value. Since this instrument is classified as a hedging activity, the changes in the fair value of this instrument are recognized as changes in net assets in the Statement of Activities. Unrealized gain (loss) on the derivative financial instrument was \$722,916 and \$(122,563) for the years ended March 31, 2014 and 2013, respectively.

EL CENTRO DEL BARRIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2014 and 2013

NOTE 9: BONDS PAYABLE (Continued)

The Agency also incurred a Letter of Credit fee of \$246,515 and \$252,603 during the fiscal years ended March 31, 2014 and 2013, respectively, which is reported as interest expense.

Future minimum principal payments on the bond payable are as follows:

<u>Year Ended March 31,</u>	<u>Amount</u>
2015	\$ 380,000
2016	405,000
2017	430,000
2018	460,000
2019	485,000
Thereafter	<u>11,295,000</u>
Total	<u>\$13,455,000</u>

NOTE 10: CONTINGENCIES

The Agency receives various grants to cover costs of specified programs. The grantor will make final determination of the eligibility of costs. Should any costs be found ineligible, the Agency will be responsible for reimbursing the grantor for these amounts. The Agency's management believes such disallowances, if any, will not have a material effect on the basic financial statements.

The Federal Medicare plan, administered by National Government Services (NGS), requires that each FQHC submit an annual cost report using audited financial statements wherein the actual cost to provide medical services is compared to the payment received for the service. The result could be a settlement payment by NGS to the FQHC if the costs exceed payments or a reimbursement to NGS if payments exceed costs.

Management has projected settlements for the fiscal years 2014 and 2013. Actual settlements could differ from management's estimates. Estimated settlements are reflected in the financial statements.

NOTE 11: CONCENTRATIONS OF CREDIT RISK

Management is of the opinion that concentrations of credit risk in trade receivables are limited, as they are from contracts with state government agencies and other non-governmental customers which management believes are creditworthy. Additionally, the Agency maintains its cash in bank accounts at several financial institutions. The balances, at times, may exceed the federally insured limits. As of March 31, 2014 and 2013, respectively, management believes it is not exposed to a significant credit risk on its trade receivables or its bank accounts. Approximately 19% and 17% of total support and revenue comes from funding and grants from the U.S. Department of Health and Human Services as of March 31, 2014 and 2013, respectively.

The Agency maintains all of its cash accounts at one financial institution. The Federal Deposit Insurance Corporation (the FDIC) insures all accounts up to \$250,000. The FDIC fully insured all non-interest bearing accounts through December 31, 2012. The Agency had uninsured cash balances of \$854,165 and \$1,880,310, not including reconciling items, at March 31, 2014 and 2013, respectively.

EL CENTRO DEL BARRIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2014 and 2013

NOTE 12: PENSION PLANS

The Agency has a voluntary, contributory annuity pension plan that is offered to all permanent employees. Effective December 31, 2005, the plan converted from a Section 403(b) Thrift Plan to a Section 403(b) Safe Harbor Thrift Plan. The plan is a money purchase plan, and, accordingly, no past service cost is included in the funding. The Agency's policy is to match the amount of all qualified employees' contributions up to 4% as of January 1, 2010. The total pension expense consisted of employer matching. For the years ended March 31, 2014 and 2013, employer matching expenses were \$499,398 and \$499,008, respectively, which is included in salaries and related expenses in the Statement of Functional Expenses.

On January 1, 2006, in conjunction with revisions to the executive compensation arrangement, the Agency entered into a Section 457 Deferred Compensation agreement with the President and Chief Executive Officer. The plan provides benefits payable should the employee remain employed for five years or within two years upon satisfaction of a non-compete agreement. The benefits are subject to forfeiture if employment is terminated on or before the second anniversary of the initial plan election as defined in the agreement. For the years ended March 31, 2014 and 2013, the Section 457 invested plan values were \$108,587 and \$98,040, respectively. Effective, January 1, 2009, the Section 457(f) plan was terminated; on December 1, 2009, a new Section 457(b) Deferred Compensation plan was activated with similar provisions as the previous plan.

NOTE 13: FAIR VALUE OF FINANCIAL INSTRUMENTS

The Agency follows the provisions of ASC 820, *Fair Value Measurements and Disclosures* (formerly SFAS 157). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, and establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority.
- Level 2 valuations are based on quoted prices in markets that are not active.
- Level 3 valuations are based on inputs that are unobservable and supported by little or no market activity.

The Agency does not have Level 2 or Level 3 assets or liabilities.

The Agency's financial instruments include cash and cash equivalents, receivables, prepaid expenses and deposits, accounts payable, deferred revenue, and accrued liabilities. The carrying amounts reported in the Statements of Financial Position approximate fair values because of the short maturities of those instruments.

The Agency's financial instruments also include investments and derivative financial instruments. The fair values of investments are based on quoted market prices for those or similar investments.

EL CENTRO DEL BARRIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2014 and 2013

NOTE 14: SUBSEQUENT EVENTS

The Agency evaluates subsequent events in accordance with ASC Topic No. 855, "*Subsequent Events*" (formally SFAS No. 165). The guidance requires an entity to disclose the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued or the date the financial statements were available to be issued. In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through June 24, 2014, the date the financial statements were available to be issued. The Agency has determined there are no subsequent events requiring disclosure.

**FEDERAL AND STATE FINANCIAL AWARDS
SECTION**

EL CENTRO DEL BARRIO
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended March 31, 2014

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Disbursements/ Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Consolidated Health Centers (Community Health Center)	93.224	\$ 5,740,386
Consolidated Health Centers (Healthcare for the Homeless)	93.224	1,859,756
		<u>7,600,142</u>
OP Early Intervention Svcs w/ Respect to HIV Disease	93.918	599,792
Affordable Care Act-CDHP Capital Development	93.526	210,164
Pass-Through Alamo Area Council of Governments: HIV Emergency Relief Project Grants - Ryan White Part A	93.914	374,798
Pass-Through Texas Department of State Health Services: Centers for Disease Control and Prevention - Investigations and Technical Assistance (Breast and Cervical Cancer Screening Program)	93.283	236,982
Social Services Block Grant	93.667	173,864
Maternal and Child Health Services Block Grant to the States	93.994	315,779
		<u>726,625</u>
<i>Total U.S. Department of Health and Human Services</i>		<u>9,511,521</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Pass-Through Office of Community Planning and Development: Community Development Block Grants/Entitlement Grants (ACFE)	14.218	121,709
<i>Total U.S. Department of Housing and Urban Development</i>		<u>121,709</u>
U.S. DEPARTMENT OF AGRICULTURE		
Pass-Through Texas Department of State Health Services: Special Supplemental Nutrition Program for Women, Infants and Children	10.557	1,795,406
Child and Adult Care Food Program	10.558	10,187
<i>Total U.S. Department of Agriculture</i>		<u>1,805,593</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>11,438,823</u>
TEXAS DEPARTMENT OF STATE HEALTH SERVICES		
HIV Rapid Testing		75,139
Expanded Primary Care		808,945
<i>Total Texas Department of State Health Services</i>		<u>884,084</u>
TEXAS DEPARTMENT OF HUMAN SERVICES		
Day Activity and Health Services		12,460
<i>Total Texas Department of Human Services</i>		<u>12,460</u>
TOTAL EXPENDITURES OF STATE AWARDS		<u>896,544</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS		<u><u>\$ 12,335,367</u></u>

See accompanying notes to schedule of expenditures of federal and state awards.

EL CENTRO DEL BARRIO
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AND STATE AWARDS
March 31, 2014

NOTE 1: GENERAL

The accompanying Schedule of Expenditures of Federal and State Awards presents expenditures for all federal and state assistance awards that were in effect for the year ended March 31, 2014 for El Centro del Barrio (the Agency). The Agency's reporting entity is described in Note 1 of the basic financial statements.

NOTE 2: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of the Agency and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and the State of Texas Single Audit Circular.

NOTE 3: WIC VOUCHERS

The Agency has issued WIC vouchers valued at \$12,223,852 for the year ended March 31, 2014 based on an average redeemed value. This amount of federal noncash support is not included in the Schedule of Expenditures of Federal and State Awards. The CFDA No. is 10.577.

Gonzalez & Walker

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Rinaldo J. Gonzalez, P.C., CPA

Randy Walker & Co., P.C.

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
El Centro del Barrio
San Antonio, Texas

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 El Centro del Barrio (the Agency), a nonprofit organization, which comprise the statement of financial position as of March 31, 2014, and the related statements of activities, 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 June 24, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Douglas & Walker". The signature is written in a cursive, flowing style.

June 24, 2014

Gonzalez & Walker

Certified Public Accountants
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San Antonio, Texas 78230
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Rinaldo J. Gonzalez, P.C., CPA

Randy Walker & Co., P.C.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

To the Board of Directors
El Centro del Barrio
San Antonio, Texas

Report on Compliance for Each Major Federal and State Program

We have audited El Centro del Barrio's (the Agency's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of the Agency's major federal and state programs for the year ended March 31, 2014. The Agency's major federal and state 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 and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency's major federal and state 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*; and the *State of Texas Single Audit Circular*. 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 and state program occurred. An audit includes examining, on a test basis, evidence about the Agency'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 and state program. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Agency 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 and state programs for the year ended March 31, 2014.

Report on Internal Control Over Compliance

Management of the Agency 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 Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state 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 and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State of Texas Single Audit Circular*, 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 Agency'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 or state 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 or state 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 or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



June 24, 2014

EL CENTRO DEL BARRIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended March 31, 2014

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	_____	X	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____	Yes	_____	X	None Reported

Noncompliance material to the financial statements noted?	_____	Yes	_____	X	No
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Federal Awards

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	_____	X	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____	Yes	_____	X	None Reported

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

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

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	_____	X	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____	Yes	_____	X	None Reported

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

Any audit findings disclosed that are required to be reported in accordance with the State of Texas Single Audit Circular?	_____	Yes	_____	X	No
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EL CENTRO DEL BARRIO
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended March 31, 2014

I. PRIOR YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

None

II. PRIOR YEAR FINDINGS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT

None