

CINCINNATI HEALTH NETWORK, INC.

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2014

CINCINNATI HEALTH NETWORK INC.

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Cincinnati Health Network, Inc.
Cincinnati, OH

Report on the Financial Statements

We have audited the accompanying financial statements of Cincinnati Health Network, Inc. (a nonprofit organization), 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 Accounting 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 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 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 Cincinnati Health Network, Inc. as of December 31, 2014, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

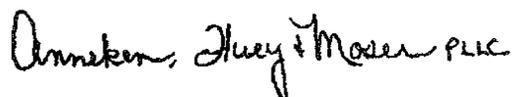
Other Matters

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2015, on our consideration of Cincinnati Health Network, Inc.'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 Cincinnati Health Network, Inc.'s internal control over financial reporting and compliance.



Anneken, Huey & Moser, PLLC
Ft. Wright, Kentucky
September 11, 2015

Cincinnati Health Network, Inc.
Statement of Financial Position
As of December 31, 2014

	Unrestricted	Temporarily Restricted	Total
<u>ASSETS</u>			
Current Assets			
Cash	\$ 1,256,277	\$ -	\$ 1,256,277
Investments	193,818	-	193,818
Accounts receivable - other	80	-	80
Grants receivable	172,768	-	172,768
Prepaid expenses	10,167	-	10,167
Total Current Assets	<u>1,633,110</u>	<u>-</u>	<u>1,633,110</u>
Property and Equipment			
Property and equipment	400,288	-	400,288
Accumulated Depreciation	(310,865)	-	(310,865)
Property and Equipment, net	<u>89,423</u>	<u>-</u>	<u>89,423</u>
Total Assets	<u>\$ 1,722,533</u>	<u>\$ -</u>	<u>\$ 1,722,533</u>
<u>LIABILITIES</u>			
Liabilities			
Accounts payable	\$ 118,181	\$ -	\$ 118,181
Compensated absence payable	23,955	-	23,955
Accrued payroll	8,019	-	8,019
Grants payable to subrecipients	-	-	-
Total Liabilities	<u>\$ 150,155</u>	<u>\$ -</u>	<u>\$ 150,155</u>
Net Assets			
Unrestricted	\$ 1,572,378	\$ -	\$ 1,572,378
Temporarily restricted	-	-	-
Total Net Assets	<u>\$ 1,572,378</u>	<u>\$ -</u>	<u>\$ 1,572,378</u>
Total Liabilities and Net Assets	<u>\$ 1,722,533</u>	<u>\$ -</u>	<u>\$ 1,722,533</u>

Cincinnati Health Network, Inc.
Statement of Activities
For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
REVENUES, PUBLIC SUPPORT, AND RECLASSIFICATIONS			
Revenue and Support			
Federal grants	\$ 2,235,089		\$ 2,235,089
Other grants	148,082		148,082
Contributions	700		700
Investment income	1,578		1,578
Miscellaneous income	31,269		31,269
Program income	125,344		125,344
In-kind donations	39,500		39,500
Total Revenues, Public Support, and Reclassifications	<u>\$ 2,581,562</u>	<u>\$ -</u>	<u>\$ 2,581,562</u>
EXPENSES			
Direct Program Expenses			
Subrecipient contracts	\$ 1,068,730		\$ 1,068,730
Other Program Expenses			
Staff Travel	9,871		9,871
Mental health services	32,656		32,656
Physician coverage	92,420		92,420
Professional services - other	8,981		8,981
Program supplies	713		713
Patient transport	484		484
Patient supplies	1,854		1,854
Liability insurance	5,466		5,466
Credentialing and licensure	505		505
Equipment rental	293		293
Depreciation	72,823		72,823
Electronic medical records	18,507		18,507
In-kind services - Medical Director	39,500		39,500
Staffing Expenses			
Salaries and wages	639,462		639,462
Payroll taxes	54,097		54,097
Workers' compensation insurance	14,892		14,892
Health benefits	50,996		50,996
Other benefits	3,181		3,181

Cincinnati Health Network, Inc.
Statement of Activities (Continued)
For the Year Ended December 31, 2014

Payroll service fees	1,668		1,668
Temporary staffing	15,997		15,997
Occupancy			
Rent	36,688		36,688
Telephone	8,169		8,169
Internet	2,608		2,608
Security	345		345
Repairs and maintenance	48		48
Health Center			
Rent	28,527		28,527
Telephone	664		664
Internet	3,837		3,837
Other Health Center expenses	934		934
Office supplies and equipment	6,920		6,920
Repairs and maintenance	6,038		6,038
Other Expenses			
Accounting services	53,675		53,675
Legal fees	4,207		4,207
Computer services	12,616		12,616
Computer equipment	2,945		2,945
Office supplies	5,127		5,127
Postage and delivery	1,095		1,095
Printing and copying	156		156
Dues and memberships	12,290		12,290
Advertising/Recruitment	1,257		1,257
Meeting expense	4,174		4,174
Miscellaneous expenses	4,214		4,214
Total Expenses	<u>\$ 2,329,630</u>	<u>\$ -</u>	<u>\$ 2,329,630</u>
Change in Net Assets	251,932	-	251,932
Net Assets, Beginning of Year	1,320,446	-	1,320,446
Net Assets, End of Year	<u>\$ 1,572,378</u>	<u>\$ -</u>	<u>\$ 1,572,378</u>

Cincinnati Health Network, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2014

<u>Cash Flows from Operating Activities</u>	
Change in Net Assets	\$ 251,932
Adjustments to Reconcile Excess of Revenues Over <u>Expenses to Net Cash Provided by Operating Activities</u>	
Depreciation	72,823
<u>(Increase) Decrease in:</u>	
Accounts receivable - other	9,963
Grants receivable	150,709
Prepaid expenses	(159)
<u>Increase (Decrease) in:</u>	
Accounts payable	(145,032)
Accrued payroll	3,230
Compensated absence payable	2,053
Net Cash Provided (Used) by Operating Activities	<u>345,519</u>
Cash Flows from Investing Activities	
Net Cash Provided (Used) by Investing Activities	<u>(699)</u>
Cash Flows from Investing Activities	<u>(699)</u>
Increase in cash	344,820
Cash - Beginning of Year	<u>911,457</u>
Cash - End of Year	<u><u>\$ 1,256,277</u></u>

Cincinnati Health Network, Inc.
Notes to the Financial Statements
For the year ended December 31, 2014

Note 1. Summary of Significant Accounting Policies

Nature of Activities

Cincinnati Health Network, Inc. (the Organization) was incorporated in the State of Ohio in 1986. The primary objective of the Organization is to coordinate and plan for the provision of basic, quality health care services, particularly for the medically underserved and high-risk population in the Greater Cincinnati area. This objective includes acquiring funds from public or private sources which are restricted for the purpose of providing health care to the medically underserved including the homeless population and those infected and affected with HIV/AIDS. The Organization's revenue and other support are derived primarily from federal and state grants and program service fees.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to any donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed on their use that may be met either by actions of the Organization or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Organization. Generally, the donors permit the Organization to use all or part of the income earned for either general or donor-specified purposes.

Cash and Cash Equivalents

The Organization considers deposits that can be redeemed on demand and investments that have original maturities of less than three months, when purchased, to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Investment income is classified separately from operating revenue and support in the statement of activities. Investment income consists of interest and dividend income and realized and unrealized gains and losses and is reported net of investment expenses.

Cincinnati Health Network, Inc.
Notes to Financial Statements
For the year ended December 31, 2014

Note 1. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective periods. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The estimated useful lives for significant property and equipment categories are as follows:

Equipment	5 years
Vehicles	10 years
Software	3 years

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified as net assets released from restrictions.

Federal grant revenue is recorded as unrestricted at the time the Organization makes an allowable expenditure under the grant provisions.

Accounting for Uncertainty in Income Taxes

The Financial Accounting Standards Board (FASB) has issued guidance which clarifies generally accepted accounting principles for recognition, measurement, presentation and disclosure relating to uncertain tax positions. This guidance clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Organization's income tax returns. The Organization's income tax filings are subject to audit by various taxing authorities. The years of filings open to these authorities and available for audit are 2011, 2012, 2013. The Organization's policy with regards to interest and penalties is to recognize interest through interest expense and penalties through other expense. In evaluating the Organization's tax provision and tax exempt status, interpretations and tax planning strategies were considered. The Organization believes their estimates are appropriate based on the current facts and circumstances.

Cincinnati Health Network, Inc.
Notes to Financial Statements
For the year ended December 31, 2014

Note 1. Summary of Significant Accounting Policies (continued)

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not private foundation as defined by Section 509(a) of the Internal Revenue Code. For the year ended December 31, 2014, the Organization has determined that no income taxes are due for its activities. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the financial statements.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. For the year ended December 31, 2014, \$39,500 has been recorded for the services of a medical director.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization's total expenses for 2014 are \$2,329,630 of which \$2,213,036 were spent on program service expenses. The remaining \$116,594 was spent for management and administration, and for fundraising.

Management Estimates

The preparation of the Organization's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Note 2. Investments

Investments are carried at fair value, and unrealized gains and losses are reflected in the Statement of Activities and Changes in Net Assets. The Organization maintains a self-managed investment account at a brokerage firm. These funds are invested as follows:

Cincinnati Health Network, Inc.
Notes to Financial Statements
For the year ended December 31, 2014

Note 2. Investments (continued)

	Cost	Fair Market Value	Unrealized Gain (Loss)
Money market fund	\$ 102,686	\$ 102,686	\$ -
Fixed income funds	92,000	91,132	(868)
Total	<u>\$ 194,686</u>	<u>\$ 193,818</u>	<u>\$ (868)</u>

Investment earnings for the year ended December 31, 2014 are summarized as follows:

	2014
Unrealized gains (losses)	\$ (288)
Interest and dividend income	987
Total investment income	<u>\$ 699</u>

Note 3. Property and Equipment

Property and equipment consisted of the following at December 31, 2014:

Medical Van	\$ 259,742
Electronic Medical Records system	140,546
	<u>400,288</u>
Less accumulated depreciation	(310,865)
	<u>\$ 89,423</u>

Note 4. Grants Receivable

Grants receivable consists of funds due from reimbursable grants where the Organization has not yet expended funds, but will expend them within the next twelve months, and reimbursement will be made by the grantor. As of December 31, 2014, the grants receivable are as follows:

Healthcare for the Homeless	\$ 63,170
HIV	54,386
Ohio Dept of Health Uninsured Funding	55,212
Total	<u>\$ 172,768</u>

Cincinnati Health Network, Inc.
Notes to Financial Statements
For the year ended December 31, 2014

Note 5. Foundation Grants

In 2014, the Organization received the following non-federal grants:

State of Ohio	\$	115,582
Foundations		32,500
Total Other Grants	\$	<u>148,082</u>

Note 6. Federal Grants

The Organization recognizes revenue from federal grants when the grant funds are receivable because the allowable costs have been incurred and are eligible for reimbursement under the grant. In 2014, the Organization recorded the following federal grant revenue:

GRANT	PROGRAM	AMOUNT
Health Center Cluster	Homeless	\$ 1,616,168
Health Center Cluster	Homeless IAHCCT	4,042
Health Center Cluster	Homeless PAP	7,889
Health Center Cluster	Homeless O&E	103,120
Ryan White Part C	HIV	503,870
Total		<u>\$ 2,235,089</u>

Note 7. Sub-recipient Contracts

Under the terms of the grants from the U.S. Department of Health and Human Services (HHS), the Organization contracts for health care services with agencies providing health care to the medically underserved including the homeless population and those infected and affected with HIV/AIDS. The amounts disbursed under these sub-recipient contracts are as follows:

Cincinnati Health Network, Inc.
Notes to Financial Statements
For the year ended December 31, 2014

Note 7. Sub-recipient Contracts (continued)

Cincinnati Health Department	\$ 90,597
Cincy Smiles Foundation	154,731
Drop Inn Center	62,008
Freestore Foodbank	261,132
Greater Cincinnati Behavioral Health	63,120
Health Point Family Care	28,205
Northern Kentucky Health District	33,010
University Hospital Infectious Diseases Center	177,374
University of Cincinnati Emergency Department	76,223
UC Department of Family and Community Medicine	105,130
UC Department of Psychiatry and Behavior	7,200
Crossroad Health Center	10,000
Total Awardees	<u>\$ 1,068,730</u>

Note 8. Operating Leases

The Organization entered into an operating lease in May 2009 for its administrative offices. Rent expense for the office lease was \$36,688 for 2014. The lease expired in April 2014 with the Hearing, Speech, & Deaf Center of Greater Cincinnati. Starting in May 2014, rent is paid month-to-month on the previous contract terms to Central Clinic. Management anticipates executing a renewed lease in the near future.

The Organization entered into an operating lease in February 2011 for clinical space. Rent expense for the clinic lease was \$28,527 for 2014. The lease is for one year and automatically renews for one year periods. The lease is cancellable with a thirty day notice.

Note 9. Concentration of Credit and Market Risk

The Organization maintains funds in checking and money market accounts at various financial institutions. From time to time, the Organization's cash balances at financial institutions may exceed the federal depository insurance coverage. As of December 31, 2014, the balance in excess of FDIC coverage was \$1,033,528. Management considers this to be a normal business risk and the Organization has not experienced any losses in such accounts.

Cincinnati Health Network, Inc.
Notes to Financial Statements
For the year ended December 31, 2014

Note 9. Concentration of Credit and Market Risk (continued)

The Organization's investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, because of the significance of the investments to the Organization's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among various asset classes should mitigate the impact of changes in any one class.

Note 10. Fair Value Measurements

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in principal market for the asset or liability, or in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included with level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Fair value methods and assumptions on investments consisting of equities, securities, fixed income securities, and money market funds are based on the Level 1 approach. The following table presents the Organization's fair value on a recurring basis as of December 31, 2014:

	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 102,686	\$ 102,686	\$ -	\$ -
Fixed income funds	91,132	91,132	-	-
	<u>\$ 193,818</u>	<u>\$ 193,818</u>	<u>\$ -</u>	<u>\$ -</u>

Cincinnati Health Network, Inc.
Notes to Financial Statements
For the year ended December 31, 2014

Notes 11. Accounts Receivable – Other

The Organization provided funding to the CincySmiles Foundation (CSF) in 2010 and 2011 for construction of a new clinic. The final construction costs exceeded the budget by \$130,148. The Organization agreed to absorb half of the excess costs, and CSF agreed to reimburse the Organization for the other half. The amount receivable from CSF was \$10,043 as of December 31, 2013. CSF repaid the \$10,043 in 2014. There is no remaining accounts receivable from CSF as of December 31, 2014.

Note 12. Program Income

In 2014, the Organization began billing for patient services performed at the clinic to Medicaid payers. The amount received in program income in 2014 was \$125,344.

Note 13. Business and Support Concentrations

The Organization received approximately 88% of its support under grants from the U.S. Department of Health and Human Services. No other support services provided more than 10% of revenue in 2014.

Note 14. Date of Management's Review

Management evaluated subsequent events through September 11, 2015, which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment or disclosure within the financial statements.



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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
Cincinnati Health Network, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contain in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cincinnati Health Network, Inc. (a nonprofit organization), 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 11, 2015.

Internal Control Over Financial Reporting

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

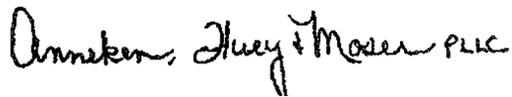
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Cincinnati Health Network, Inc.'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Anneken, Huey & Moser, PLLC
Ft. Wright, Kentucky
September 11, 2015



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Cincinnati Health Network, Inc.

Report on Compliance for each Major Federal Program

We have audited Cincinnati Health Network, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Cincinnati Health Network, Inc.'s major federal programs for the year ended December 31, 2014. Cincinnati Health Network, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Cincinnati Health Network, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cincinnati Health Network, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Cincinnati Health Network, Inc.'s compliance.

Opinion on each Major Federal Program

In our opinion, Cincinnati Health Network, Inc. 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.

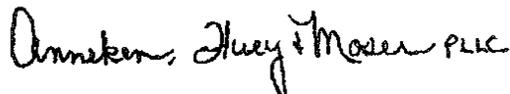
Report on Internal Control over Compliance

Management of Cincinnati Health Network, Inc. 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 Cincinnati Health Network, Inc.'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 Cincinnati Health Network, Inc.'s internal control over compliance.

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

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

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



Anneken, Huey & Moser, PLLC
Ft. Wright, Kentucky
September 11, 2015

Cincinnati Health Network, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

Federal Grantor/Program Title	Federal Grant Number	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Health Center Cluster	H80CS00189	93.224	\$ 1,878,495
Ryan White Part C Outpatient EIS Program	H76HA00111	93.918	\$ 502,125
TOTAL EXPENDITURES			\$ 2,380,620

NOTE A – GENERAL

This schedule of expenditures of federal awards presents the federal grant activity for the Cincinnati Health Network, Inc. and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audit 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.

Cincinnati Health Network, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2014

1. The auditor's report expresses an unqualified opinion on the financial statements of Cincinnati Health Network, Inc.
2. There were no significant deficiencies disclosed during the financial statement audit.
3. No instances of noncompliance material to the financial statements of Cincinnati Health Network, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for Cincinnati Health Network, Inc. expresses an unqualified opinion on all major federal programs.
6. Audit findings required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule. None noted.
7. The programs tested as major programs were:
 - a. CFDA 93.918 – Ryan White Part C Outpatient EIS Program
 - b. CFDA 93.224 – Healthcare for Homeless
8. The threshold used for distinguishing between type A and B programs was \$300,000.
9. Cincinnati Health Network, Inc. was determined to be a low-risk auditee.