

**EAST HARLEM COUNCIL FOR HUMAN SERVICES, INC.**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
IN ACCORDANCE WITH OMB  
CIRCULAR A-133**

**FOR THE FISCAL YEARS ENDED  
JUNE 30, 2014 AND 2013**



**EAST HARLEM COUNCIL FOR HUMAN SERVICES, INC.**

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# **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
East Harlem Council for Human Services, Inc.

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of East Harlem Council for Human Services, Inc. and subsidiary (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audit. We did not audit the financial statements of Boriken Local Development Corporation (BLDC), a subsidiary solely owned by East Harlem Council for Human Services, Inc., which statements reflect total assets of \$23,648,915, as of June 30, 2014, and the total revenues of \$3,879,355, for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for BLDC is based solely on the report of the other auditors. 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, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of East Harlem Council for Human Services, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *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 March 25, 2015, on our consideration of East Harlem Council for Human Services, 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 East Harlem Council for Human Services, Inc.'s internal control over financial reporting and compliance.

**Report on Summarized Comparative Information**

We have previously audited the East Harlem Council for Human Services, Inc.'s 2013 financial statements, and our report dated December 2, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Padilla and Company, LLP*

*Jamaica, New York*

*March 25, 2015*

**EAST HARLEM COUNCIL FOR HUMAN SERVICES, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2014 AND 2013**

**ASSETS**

<b>Current Assets</b>	<b>2014</b>	<b>2013</b>
Cash (Note 3)	\$ 1,739,607	\$ 1,809,948
Patient accounts receivable, net (Note 4)	1,399,855	712,262
Federal grants receivable	-	2,115,591
Contracts receivable (Note 5)	503,009	259,512
Other grants receivable (Note 6)	33,000	659,699
Restricted deposits and fund reserves (Note 7)	964,919	-
Other current assets	95,325	165,148
Total Current Assets	<u>4,735,715</u>	<u>5,722,160</u>
 <b>Noncurrent Assets</b>		
Property and equipment, net (Note 8)	23,815,530	17,443,587
Loan receivable (Note 9)	14,385,980	-
Other assets	580,653	515,971
Total Noncurrent Assets	<u>38,782,163</u>	<u>17,959,558</u>
Total Assets	<u>\$ 43,517,878</u>	<u>\$ 23,681,718</u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Loan Payable - current portion (Note 12)	\$ -	\$ 3,317,842
Accounts payable and accrued expenses (Note 10)	1,431,092	3,075,310
Refundable advances (Note 11)	235,387	188,119
Total Current Liabilities	<u>1,666,479</u>	<u>6,581,271</u>
 <b>Non-Current Liabilities</b>		
Loans Payable - non-current portion (Note 12)	23,375,441	-
Long-Term Obligation (Note 13)	500,000	500,000
Total Noncurrent Liabilities	<u>23,875,441</u>	<u>500,000</u>
Total Liabilities	<u>25,541,920</u>	<u>7,081,271</u>
 <b>Net Assets</b>		
Unrestricted	17,949,258	16,470,940
Temporarily restricted	26,700	129,507
Total Net Assets	<u>17,975,958</u>	<u>16,600,447</u>
Total Liabilities and Net Assets	<u>\$ 43,517,878</u>	<u>\$ 23,681,718</u>

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

**EAST HARLEM COUNCIL FOR HUMAN SERVICES, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	2014			2013
	Unrestricted	Temporarily Restricted	Total	
<b>Operating Revenue</b>				
Patient service revenue, net (Note 14)	\$ 5,899,433	\$ -	\$ 5,899,433	\$ 6,094,605
Contract service revenue (Note 15)	-	5,072,070	5,072,070	5,028,910
Federal grants	-	2,265,474	2,265,474	2,256,463
Donated facilities and medical supplies (Note 2)	1,584,446	-	1,584,446	1,530,643
Subtotal	<u>7,483,879</u>	<u>7,337,544</u>	<u>14,821,423</u>	<u>14,910,621</u>
Miscellaneous	174,108	-	174,108	155,316
Subtotal	<u>174,108</u>	<u>-</u>	<u>174,108</u>	<u>158,110</u>
Total Operating Revenue	<u>7,657,987</u>	<u>7,337,544</u>	<u>14,995,531</u>	<u>15,068,731</u>
<b>Operating Expenses</b>				
Program Expenses				
Clinic Services	6,482,646	-	6,482,646	6,194,529
Headstart	5,064,319	-	5,064,319	4,932,656
Senior Nutrition	612,958	-	612,958	633,241
Women, Infant and Children	317,904	-	317,904	275,666
Total Program Expenses	<u>12,477,827</u>	<u>-</u>	<u>12,477,827</u>	<u>12,036,092</u>
Management and General	2,720,142	-	2,720,142	2,683,804
Total Operating Expenses	<u>15,197,969</u>	<u>-</u>	<u>15,197,969</u>	<u>14,719,896</u>
<b>Net Assets Released from Restrictions - Operating</b>				
Program restrictions satisfied	<u>7,337,544</u>	<u>(7,337,544)</u>	<u>-</u>	<u>-</u>
<b>Operating Income</b>	<u>(202,438)</u>	<u>-</u>	<u>(202,438)</u>	<u>348,835</u>
<b>Non-operating Revenue</b>				
Federal grants - capital advance	1,112,859	-	1,112,859	9,174,832
State and other grants - capital advance	600,000	-	600,000	1,041,399
Interest income	112,454	-	112,454	275
Subtotal	<u>1,825,313</u>	<u>-</u>	<u>1,825,313</u>	<u>10,216,506</u>
<b>Non-operating Expenses</b>	<u>247,364</u>	<u>-</u>	<u>247,364</u>	<u>86,398</u>
<b>Net Assets Released from Restrictions - Non-Operating</b>				
Program restrictions satisfied	<u>102,807</u>	<u>(102,807)</u>	<u>-</u>	<u>-</u>
<b>Non-operating Income</b>	<u>1,680,756</u>	<u>(102,807)</u>	<u>1,577,949</u>	<u>10,130,108</u>
<b>Change in Net Assets</b>	1,478,318	(102,807)	1,375,511	10,478,943
<b>Net Asset, Beginning of Year</b>	<u>16,470,940</u>	<u>129,507</u>	<u>16,600,447</u>	<u>6,121,504</u>
<b>Net Asset, End of Year</b>	<u>\$ 17,949,258</u>	<u>\$ 26,700</u>	<u>\$ 17,975,958</u>	<u>\$ 16,600,447</u>

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

**EAST HARLEM COUNCIL FOR HUMAN SERVICES, INC.**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	Program Services				Subtotal	Management and General	Building and Facilities	<b>2014 Total</b>	<b>2013</b>
	Clinic Services	Headstart and Family Daycare	Senior Nutrition	Women, Infant and Children					
Personnel Services									
Salaries and wages	\$ 4,140,327	\$ 2,167,258	\$ 247,835	\$ 201,360	\$ 6,756,780	\$ 1,622,044	\$ -	\$ 8,378,824	\$ 8,095,213
Fringe benefits	913,221	705,348	90,904	52,098	1,761,571	416,087	-	2,177,658	2,007,869
Subtotal	5,053,548	2,872,606	338,739	253,458	8,518,351	2,038,131	-	10,556,482	10,103,082
Other Than Personnel Services									
Occupancy	380,440	1,434,635	17,276	17,731	1,850,082	9,553	5,900	1,865,535	1,809,312
Consultants and contractors	19,928	42,308	15,096	6,347	83,679	132,747	1,050	217,476	546,964
Equipment rental, maintenance and repairs	17,151	311,990	11,662	24,999	365,802	124,058	75,245	565,105	467,402
Medical supplies	434,754	-	-	-	434,754	-	-	434,754	431,468
Food	573	191,086	169,808	-	361,467	-	-	361,467	371,781
Consumable supplies	11,733	95,106	-	9,085	115,924	94,221	2,616	212,761	222,756
Laboratory fees and diagnostics	145,194	-	-	-	145,194	-	-	145,194	131,882
Professional fees	-	10,400	-	2,740	13,140	102,860	-	116,000	127,213
Telephone	14,607	28,374	7,598	3,214	53,793	99,733	-	153,526	113,655
Provision for doubtful accounts	73,404	-	-	-	73,404	-	-	73,404	94,964
Insurance	38,935	25,907	3,007	-	67,849	42,455	7,605	117,909	70,577
Travel, conferences and meetings	1,237	14,049	1,026	330	16,642	20,950	-	37,592	64,598
Depreciation and amortization	1,215	-	-	-	1,215	9,782	98,978	109,975	62,715
Printing, publications and postage	63,281	945	14,972	-	79,198	230	-	79,428	35,058
Management fees	-	-	-	-	-	-	42,250	42,250	-
Dues and subscriptions	13,907	6,455	780	-	21,142	-	-	21,142	19,619
Patient transportation	7,363	20,702	2,850	-	30,915	-	-	30,915	19,551
Public Information	3,770	-	-	-	3,770	-	-	3,770	988
Interest and fees	179,956	-	-	-	179,956	-	10,001	189,957	-
Other	21,650	9,756	30,144	-	61,550	45,422	3,719	110,691	112,709
Subtotal	1,429,098	2,191,713	274,219	64,446	3,959,476	682,011	247,364	4,888,851	4,703,212
<b>Total Functional Expenses</b>	<b>\$ 6,482,646</b>	<b>\$ 5,064,319</b>	<b>\$ 612,958</b>	<b>\$ 317,904</b>	<b>\$ 12,477,827</b>	<b>\$ 2,720,142</b>	<b>\$ 247,364</b>	<b>\$ 15,445,333</b>	<b>\$ 14,806,294</b>

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

**EAST HARLEM COUNCIL FOR HUMAN SERVICES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,375,511	\$ 10,478,943
Depreciation and amortization	109,975	62,715
Decrease (increase) in:		
Patient accounts receivable	(687,593)	44,026
Federal grants receivable	2,115,592	(1,689,986)
Contracts receivable	(243,497)	166,034
Other grants receivable	626,699	(194,231)
Other current assets	69,823	95,175
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,644,218)	1,471,633
Refundable advances	47,268	(172,405)
Net cash provided by operating activities	1,769,560	10,261,904
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in other assets	(64,682)	(440,981)
Increase in restricted deposits and fund reserves	(964,919)	-
Acquisition of property and equipment	(6,481,918)	(13,171,333)
Net cash used in investing activities	(7,511,519)	(13,612,314)
<b>CASH FLOWS FROM A FINANCING ACTIVITY</b>		
Increase in loan receivable	(14,385,980)	-
Net proceeds from loans	23,375,441	3,317,842
Repayment of loan	(3,317,842)	-
Net cash provided by financing activities	5,671,619	3,317,842
Net decrease in cash	(70,341)	(32,568)
Cash, beginning of year	1,809,948	1,842,516
Cash, end of year	\$ 1,739,607	\$ 1,809,948
Supplemental disclosure of cash flow information:		
Interest paid	\$ 189,580	\$ -

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

**EAST HARLEM COUNCIL FOR HUMAN SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**1. ORGANIZATION AND OPERATIONS**

East Harlem Council for Human Services, Inc. (the “Council”), a Federally Qualified Health Center (FQHC), operates a free-standing diagnostic and treatment center, licensed under Article 28 of the New York State Health Law, located in New York, New York. The Council provides a broad range of health and human services to a largely medically underserved population in the East Harlem Community.

The Council also provides complimentary education and social services to the same population through its other programs. The U.S. Department of Health and Human Services (DHHS) provides substantial support to the Council. The Council is obligated under the terms of its DHHS grants to comply with specified conditions and program requirements.

The Council qualifies as a charitable organization as defined by Internal Revenue Code Section 501(c)(3) and, accordingly, is exempt from Federal income taxes. The Council is also exempt from New York State and New York City income taxes. The organization’s federal and state income tax returns for the fiscal years after 2010 remain subject to examination by relevant taxing authorities.

On June 26, 2013, Boriken Local Development Corporation (BLDC) was organized as a New York 501(c)(3) non-stock, nonprofit Corporation consisting of a sole member, East Harlem Council for Human Services, Inc. BLDC was formed to develop and own a facility for delivery of social and health care services in the community of East Harlem, New York. The BLDC leases the facility to the Council under a lease agreement which commenced on November 1, 2013 and expires on December 1, 2038. Construction on the facility was substantially completed in June 2014. The property is operated in such a way that it qualifies as a Qualified Active Low-Income Community Business under the definition of the New Markets Tax Credit Program under IRC §45(d). These consolidated financial statements of the Council include the accounts of the BLDC. All significant intercompany transactions and account balances have been eliminated in consolidation.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a) Basis of Accounting

The financial statements of the Organization have been prepared on an accrual basis of accounting in conformity with generally accepted accounting principles for not-for-profit organizations, which require it to report information regarding its financial position and activities according to three (3) classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

**EAST HARLEM COUNCIL FOR HUMAN SERVICES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

b) Basis of Presentation

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC) in its Statement No. 958-205, Financial Statements of Not-for-Profit Organizations. Under ASC Statement No. 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets are not subject to donor-imposed stipulations.

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by action of the Organization and/or the passage of time. When a restriction expires, 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 are subject to donor-imposed stipulations that must be maintained permanently by the Organization. Generally, the donors of these assets would permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Permanently Restricted Net Assets - net assets subject to donor-imposed stipulations that they be maintained permanently. The Council has no permanent net assets at June 30, 2014.

c) Fair Values of Financial Statements

FASB Accounting Standards Codification (ASC) 820, Fair Value Measurement provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1            Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2            Inputs to the valuation methodology include:

- quoted prices for similar assets and liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived by observable market data by correlation or other means.

**EAST HARLEM COUNCIL FOR HUMAN SERVICES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3            Inputs to the valuation methodology are unobservable and significant to the value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the used of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value

*Cash and Cash Equivalents.* The carrying amount reported in the balance sheet for cash and cash equivalents approximates fair value.

*Patient Accounts Receivable, Federal Grants Receivable, Contracts Receivable, State and other Grants Receivable, and Accounts Payable.* The carrying amount of accounts in the balance sheet approximates fair value.

d) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Council considers all liquid investments with initial maturity of three months or less to be cash equivalents. Cash is maintained in Federal Deposit Insurance Corporation (FDIC) insured accounts at credit qualified financial institutions. At times, bank balances may exceed FDIC insurance limits. The Council has not experience any loss in connection

e) Property and Equipment

Property and equipment is recorded at cost. Donated property and equipment is recorded at the estimated fair value at the time of the donation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, which range from 5 to 12 years. The Council capitalizes property and equipment purchases greater than \$5,000. Expenditures for maintenance and repairs are charged to operations in the period incurred. Items of property and equipment where title is held by the granting agency are expensed when purchased. Building and improvements are depreciated over 40 years.

**EAST HARLEM COUNCIL FOR HUMAN SERVICES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

f) Revenue Recognition

Revenue from government grants and contracts designated for use in specific activities are recognized in the period when expenditures have been incurred in compliance with the grant or contract restrictions. Grants and contracts awarded for the acquisition of long-lived assets are reported as unrestricted non-operating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets were acquired. Cash received in excess of revenue recognized is recorded as refundable advances. These grants and contracts require the Council to provide certain healthcare services during specified periods. If such services are not provided during the periods, the governmental entities are not obligated to expend the funds allotted under the grants and contracts.

Patient services revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered. Self-pay revenue is recorded at published charges with charitable allowances deducted to arrive at net self-pay revenue. Medicaid revenue is reported at the estimated net realizable amounts for services rendered. Retroactive adjustments for Medicaid managed care are estimated and accrued for in the period when it is able to be estimated.

Reimbursement rates under Medicaid are subject to revisions and settlements under the provisions of cost reimbursement regulations. Such adjustments are recognized when received. All other patient services revenue is recorded at published charges with contractual allowances deducted to arrive at net patient services revenue.

The Council provides care to patients who meet certain criteria under its charity care policy at no charge or at amounts less than its established rates. Because the Council does not expect to collect amounts determined to qualify as charity care, a full write-off is taken against revenue. The Council estimates the level of charity care for the years ended June 30, 2014 and 2013 to be \$1,970,000 and \$1,379,000.

g) Contributions

Contributions, including unconditional promises to give, are recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to years in which the promises are expected to be received.

**EAST HARLEM COUNCIL FOR HUMAN SERVICES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

h) **Compensated Absences**

The Council's policy is to accrue all vested vacation benefits as earned by employees, up to established maximums.

i) **Allowance for Doubtful Accounts**

The Council uses the reserve for bad debt method of valuing doubtful patient accounts receivable which is based on historical experience, coupled with a review of the current status of existing receivable. The Council established a reserve for uncollectible receivables based on an evaluation of the status of past due patient accounts and the Council's collection history. Receivables are written-off against the reserve only when all efforts to collect the balance have been exhausted.

j) **Donated Facilities and Medical Supplies**

The Council has the use of two facilities of its programs for an amount that is below the fair market rental value of the facilities. For the years ended June 30, 2014 and 2013, the donated portion of the facilities was \$1,133,250 and \$1,078,540.

Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Council receives a substantial amount of services donated by volunteers in carrying out one of its program activities. Amounts have been reflected in the financial statements for those services. The total value of donated services and materials, which qualifies for recognition, was \$188,245 and \$202,903 for the years ended June 30, 2014 and 2013.

The Council also received from the City of New York donated vaccines from the VFC program, a federally funded program that provides vaccines at no cost to children. Donated vaccines were valued at \$223,545 for the year ended June 30, 2014. The donations were recorded at their estimated fair market value at the date of the contribution, and included in the statements of operations.

**EAST HARLEM COUNCIL FOR HUMAN SERVICES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

k) Asset Impairment

The Council evaluates its long-lived assets for impairment whenever events or changes in circumstances would indicate that the carrying value of assets may not be recoverable. Long-lived assets would be deemed to be impaired if the forecast of undiscounted future net cash flows is less than the carrying value of the assets. There was no impairment losses recognized in fiscal year 2014 and 2013.

l) Accounting Estimates

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

m) Allocation of Functional Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting activities benefited. Such allocations are determined by management according to grant provisions and/or other equitable basis.

n) Reclassification

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications have no effect on previously reported results of operations or net assets.

**3. CASH**

This account consists of the following:

	2014	2013
Petty Cash	\$ 2,750	\$ 1,240
Cash in Bank - Checking Account	1,736,857	1,808,708
	<u>\$ 1,739,607</u>	<u>\$ 1,809,948</u>

**EAST HARLEM COUNCIL FOR HUMAN SERVICES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**4. PATIENT ACCOUNTS RECEIVABLE, NET**

The Council grants credit without collateral to its patients, mostly are residents of the City of New York and the greater metropolitan area and are insured under third-party payor agreements.

This account consists of:

	<u>2014</u>	<u>2013</u>
Medicaid	\$ 1,234,778	\$ 548,303
Medicare	195,691	119,213
Commercial Insurance	17,318	48,079
Other	48,201	19,395
	<u>1,495,988</u>	<u>734,990</u>
Less: Allowance for doubtful accounts	(96,133)	(22,728)
	<u><u>\$ 1,399,855</u></u>	<u><u>\$ 712,262</u></u>

As of the report date, \$895,546 was subsequently collected.

**5. CONTRACTS RECEIVABLE**

This account consists of the following:

	<u>2014</u>	<u>2013</u>
New York State of Department of Health:		
School Health Program	\$ 327,327	\$ 105,724
Head Start	21,856	19,991
Women, Infants and Children	53,339	21,544
New York City Administration for Children's Services:		
Head Start	26,972	-
New York City Department for theAging:		
Senior Nutrition Program	28,072	45,114
Other	45,443	67,139
	<u><u>\$ 503,009</u></u>	<u><u>\$ 259,512</u></u>

As of the report date, \$503,099 was subsequently collected.

**EAST HARLEM COUNCIL FOR HUMAN SERVICES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**6. OTHER GRANTS RECEIVABLE**

This account consists of the following:

	2014	2013
Primary Care Development Corp.	\$33,000	\$659,699

As of the report date, \$33,000 was subsequently collected.

**7. RESTRICTED DEPOSITS AND FUND RESERVES**

This account consists of the following:

PCDC Debt Service Reserve	\$ 109,064
Fee Reserve Account	296,003
Disbursing Account	559,852
	\$ 964,919

**Fee reserve account**

In accordance with the loan agreement, the BLDC has established a cash reserve account in the amount of \$338,000, to be used to pay asset management fees to CNMC Sub-CDE 31, LLC. As of June 30, 2014, the balance of this account was \$296,003. Interest earned is added to the account balance.

**Disbursing account**

In accordance with the loan agreement, the Corporation is to deposit loan proceeds into a disbursing account to be used in paying construction requisitions approved by the lenders. As of June 30, 2014, the balance of this account was \$559,852. Interest earned is added to the account balance.

**Debt Service Reserve:**

In accordance with the loan agreement, the Council funded a debt service reserve held by Primary Care Development Corporation in an amount equal to \$109,064 which is equal to six (6) months' of interest payments on the loan amount.

**EAST HARLEM COUNCIL FOR HUMAN SERVICES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**8. PROPERTY AND EQUIPMENT, NET**

This account consists of the following:

	2014	2013
Building and improvements	\$ 21,718,113	\$ 17,030,429
Furniture and equipment	3,372,795	1,761,074
Land	169,200	-
	25,260,108	18,791,503
Less: Accumulated depreciation	(1,444,578)	(1,347,916)
	\$ 23,815,530	\$ 17,443,587

In the event that the U.S. Department of Health and Human Services (DHHS) grants are terminated, DHHS reserves the right to transfer all property and equipment purchased with grant funds and/or grant-related income to third parties.

Depreciation for the years ended June 30, 2014 and 2013 was \$96,662 and \$62,715 respectively.

**9. LOAN RECEIVABLE**

The Council executed a fund loan agreement with Chase NMTC Boriken Investment Fund, LLC in the amount of \$14,385,980. The principal balance of the loan shall accrue interest at 1% per annum. Commencing December 10, 2013, quarterly installments of interest are due thru December 10, 2020. Commencing March 10, 2021, quarterly installments of principal and interest equal to \$188,076 shall be due to fully amortize the loan through maturity on March 31, 2042. Interest income for the year amounted to \$107,073.

**10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

This account consists of the following:

	2014	2013
Accounts payable	\$ 586,608	\$ 2,111,817
Accrued compensation	812,276	933,095
Accrued expenses	32,208	30,398
	\$ 1,431,092	\$ 3,075,310

As of the report date, \$1,098,368 of the accounts payable and accrued expenses was subsequently paid.

**EAST HARLEM COUNCIL FOR HUMAN SERVICES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**11. REFUNDABLE ADVANCES**

This account represents net advance balance from government funding source that will be applied against future expenses or claims.

**12. LOANS PAYABLE**

**Primary Care Development Corporation (PCDC-Loan)**

On September 4, 2013, the Council entered into a loan agreement with Primary Care Development Corporation with the commitment amount of \$3,813,441 and interest rate of 5.72%. Interest is payable monthly starting October 1, 2013. As of June 30, 2014, the outstanding balance was \$3,813,441. The principal amount becomes due upon maturity on September 30, 2020.

**CNMC loans**

**Loan A**

BLDC executed a loan payable with CNMC Sub-CDE 31, LLC (“CNMC Lender”) on September 4, 2013 in the amount of \$2,040,600. The loan bears interest at 0.738% per annum. The loan is secured by a mortgage, assignment of leases and rents, security agreement, and an unconditional payment guaranty from the Council. Commencing December 1, 2013, quarterly payments of interest only are due through and including December 1, 2020. Commencing March 1, 2021, monthly payments of principal and interest shall be due in the amount of \$20,184 through maturity on December 1, 2048, at which time all outstanding principal and any accrued interest shall be due.

**Loan B**

BLDC executed a second loan payable with CNMC Lender on September 4, 2013 in the amount of \$959,400. The loan bears interest at 0.738% per annum. The loan is secured by a mortgage, assignment of leases and rents, security agreement, and an unconditional payment guaranty from the Council. Commencing December 1, 2013, quarterly payments of interest only are due through and including December 1, 2020. Commencing March 1, 2021, monthly payments of principal and interest shall be due in the amount of \$9,490 through maturity on December 1, 2048, at which time all outstanding principal and any accrued interest shall be due.

**EAST HARLEM COUNCIL FOR HUMAN SERVICES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**Consortium loans**

**Loan A**

BLDC executed a loan payable with Consortium America L, LLC (“CA Lender”) on September 4, 2013 in the amount of \$12,345,380. The loan bears interest at 0.738% per annum. The loan is secured by a mortgage, assignment of leases and rents, security agreement, and an unconditional payment guaranty from the Council. Commencing December 1, 2013, quarterly payments of interest only are due through and including December 1, 2020. Commencing March 1, 2021, monthly payments of principal and interest shall be due to fully amortize the loan through maturity on December 1, 2048, at which time all outstanding principal and any accrued interest shall be due.

**Loan B**

BLDC executed a second loan payable with CA Lender on September 4, 2013 in the amount of \$4,216,620. The loan bears interest at 0.738% per annum. The loan is secured by a mortgage, assignment of leases and rents, security agreement, and an unconditional payment guaranty from the Council. Commencing December 1, 2013, quarterly payments of interest only are due through and including December 1, 2020. Commencing March 1, 2021, monthly payments of principal and interest shall be due to fully amortize the loan through maturity on December 1, 2048, at which time all outstanding principal and any accrued interest shall be due.

In accordance with the loan agreement, the BLDC pays CA Lender an annual fee of \$42,250 for administrative services rendered to the Corporation. For the period September 4, 2013 (date of loan funding) through June 30, 2014, such fees incurred and paid were \$42,250.

A summary of the loans are as follows:

	Maturity of more than 5 years
PCDC - Loan	\$ 3,813,441
CMNC Loans:	
Loan A	2,040,600
Loan B	959,400
Consortium Loans:	
Loan A	12,345,380
Loan B	4,216,620
	<u>\$ 23,375,441</u>

**EAST HARLEM COUNCIL FOR HUMAN SERVICES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**13. LONG-TERM OBLIGATION**

The Council entered into a subvention agreement on April 2000 with Mount Sinai NYU Health System in the amount of \$500,000. This agreement requires the Council to repay the amount borrowed in periodic payments plus interest at a base rate equal to the lesser of (i) the greater of six percent (6%) or the prime rate as published by Citibank, N.A. plus one percent (1%) or (ii) two-thirds of the maximum interest rate authorized pursuant to Section 5-501 of the New York Obligation Laws. The payments are not required if such will jeopardize the financial well-being of the Council and as long as it continues to operate according to its mission. No payments are currently required to be made.

**14. PATIENT SERVICE REVENUE**

Patient service fees are reported at net realizable amounts for services rendered. Net patient service fees consist of the following:

	2014	2013
Managed Care	\$ 1,722,092	\$ 1,988,908
Medicaid - Wrap Around	2,041,271	1,930,302
Indigent Care (Public Goods Pool)	1,163,555	1,214,520
Medicaid	294,707	369,696
Commercial Insurance	248,380	180,263
Medicaid EHR Incentive (MU)	178,500	148,750
Medicare	150,438	136,270
Self-pay	100,490	125,896
	\$ 5,899,433	\$ 6,094,605

**EAST HARLEM COUNCIL FOR HUMAN SERVICES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**15. CONTRACT SERVICE REVENUE**

This account consists of:

	2014	2013
New York City Administration for Children's Services:		
Head Start	\$ 3,475,619	\$ 3,001,213
Family Day Care Program		404,723
New York State Department of Health:		
School Health Program	421,152	400,020
Women, Infants and Children	314,844	276,887
HIV Women Education Program		98,339
Head Start	247,069	230,577
Family Day Care Program		21,442
New York City Department for the Aging:		
Senior Nutrition Program	490,327	505,907
Other	123,059	89,802
	\$ 5,072,070	\$ 5,028,910

**16. RETIREMENT PLAN**

Union Plans

The Council participates in union-sponsored pension plan with 1199SEIU Healthcare Workers East and DC1707. These plans are administered by the unions and contributions to them are set pursuant to contracts. Pension expense for these plans for the years ended June 30, 2014 and 2013 totaled \$321,097 and \$266,750.

Defined Contribution Plan

The Council implemented a defined contribution 401(K) plan covering eligible employees. Contributions to the 401(K) plan for the years ended June 30, 2014 and 2013 amounted to \$31,678 and \$31,470, representing 2% of eligible employees' compensation.

**17. CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Council to concentrations of credit risk consist principally of demand deposit accounts in financial institutions which, from time to time, exceed the Federal Depository Insurance coverage limit of \$250,000. As of the report date, the Council has not experienced any losses.

**EAST HARLEM COUNCIL FOR HUMAN SERVICES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**18. FUTURE PROGRAM AUDITS**

The Council receives revenue from Medicaid, Medicare, and grants from various Federal, State and Local government agencies, all of which are subject to audit by these programs and agencies. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by these agencies. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion, based on the results of previous audits that no material liability would result from such audits.

**19. COMMITMENTS**

The Company rents certain facilities to operate its programs.

The Council entered into agreement for a space located in 448 East 116th St., New York, NY 10029 for its Headstart program. The lease commences on January 1, 2010 and ending December 31, 2019. The minimum annual rental commitment until the end of the lease period amounted to \$158,378.

The Council also entered into agreement with Colon Plaza Associates LLP located at 55East 115th St., New York, NY 10029 for its clinic services. The future minimum lease payments are as follows:

<u>Period</u>	<u>Annual Lease</u>
06/30/2014 to 09/30/2015	\$ 82,500
10/01/2015 to 09/30/2016	69,300
10/01/2016 to 09/30/2017	72,765
10/01/2017 to 09/30/2018	76,403

**20. RELATED PARTY TRANSACTIONS**

During fiscal year 2014, the Council incurred approximately \$50,000 for consulting services in the areas of public, media and intergovernmental, and community relations rendered by a relative of a member of management.

**21. SUBSEQUENT EVENTS**

Management has evaluated events and transactions for potential recognition or disclosure through March 25, 2015, the date the financial statements were available to be issued. Nothing came to our attention warranting adjustment or disclosure.

**COMPLIANCE AND INTERNAL  
CONTROL SECTION**



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
East Harlem Council for Human Services, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of East Harlem Council for Human Services, Inc. (the "Council"), a nonprofit organization, which comprise the statement of financial position as of June 30, 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 March 25, 2015.

**Internal Control over Financial Reporting**

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

*Padilla and Company, LLP*

*Jamaica, New York*

*March 25 2015*



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors  
East Harlem Council for Human Services, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited East Harlem Council for Human Services, Inc. (the "Council")'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 ABC Organization's major federal programs for the year ended June 30, 2014. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

## **Opinion on Each Major Federal Program**

In our opinion, the Council 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 June 30, 2014.

## **Report on Internal Control over Compliance**

Management of the Council 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 Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

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

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

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

*Padilla and Company, LLP*

*Jamaica, New York*

*March 25, 2015*

**EAST HARLEM COUNCIL FOR HUMAN SERVICES, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR</u>	<u>PROGRAM</u>	<u>FEDERAL CFDA NO.</u>	<u>FEDERAL EXPENDITURES</u>
<b>U.S. Department of Health and Human Services:</b>	Affordable Care Act - Capital Development Grants	93.526	\$1,112,859
	Community Health Centers	93.224	\$829,046
	Affordable Care Act (ACA) Grants for New and Expanded Services under Health Center Program	93.527	\$1,016,747
	Grants to provide outpatient Early Intervention Services with respect to HIV Disease (Ryan WhiteHIV/AIDS Program Part C)	93.918	\$419,681
<u>Pass-through Program from:</u>	<u>Head Start Cluster</u>		
New York City Administration for Children Services	Head Start Cluster	93.600	\$2,940,729
	<u>Aging Cluster</u>		
New York City Department for the Aging	Title III-B of the Older American Act of 1965. Grants for Supportive Services and Senior Centers	93.044	\$10,314
	Title III-C1 of the OAA-Nutrition Services in a Congregate Setting	93.045	\$129,079
	Nutrition Services Incentive Program	93.053	\$16,988
	Title XX Social Services Block Grant	93.667	\$22,955
New York State Department of Health	Maternal and Child Health Services Block	93.994	\$50,113
<b>Total U.S. Department of Health and Human Services</b>			<u>\$6,548,511</u> *
<b>U.S. Department of Agriculture:</b>			
<u>Pass-through Program from:</u>			
New York State Department of Health	Child and Adult Care Food Program	10.558	\$247,069
New York State Department of Health	Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	10.557	\$248,594
<b>Total U.S. Department of Agriculture</b>			<u>\$495,663</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$7,044,174</u></u>

\* Out of the total expenditure of Federal awards (\$6,548,511), \$1,112,859 was capital expenditures for the renovation and improvement of the building, and therefore, capitalized as the cost of the building.

**EAST HARLEM COUNCIL FOR HUMAN SERVICES, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**1. GENERAL INFORMATION**

The accompanying schedule of expenditures of Federal awards presents the activities in all the Federal programs of East Harlem Council for Human Services, Inc. All Federal awards received directly from Federal agencies as well as passed through other governmental agencies are included in the schedule.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of Federal awards is presented using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB A-133, Audits of States, Local Governments, and Not-for-Profit Organizations. The amounts reported as expenditures in this schedule may differ from certain financial reports submitted to Federal funding agencies due to those reports being submitted on either a cash or modified cash basis of accounting.

**3. RELATIONSHIP TO BASIC FINANCIAL REPORTS**

Federal program expenditures are reported in the statements of functional expenses as program expenses. In certain programs, the expenditures reported in the basic financial statements may differ due to capitalization of assets and matching or in-kind contributions.

**EAST HARLEM COUNCIL FOR HUMAN SERVICES, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Part I - Summary of Auditor's Results**

**Financial Statements Section**

Type of auditor's report issued	<u>Unqualified</u>
Internal Control over Financial Reporting	
Material weakness(es) identified?	_____ Yes <u>  X  </u> No
Significant deficiency(ies) identified that are considered to be material weakness(es)?	_____ Yes <u>  X  </u> No
Noncompliance material to financial statements noted	_____ Yes <u>  X  </u> No

**Federal Awards Section**

Dollar threshold used to determine Type A Programs	<u>\$ 300,000</u>
Auditee qualified as a low-risk auditee?	_____ Yes <u>  X  </u> No
Type of auditor's report on noncompliance of major programs /nonmajor programs	<u>Unqualified</u>
Internal Control over Compliance	
Material weakness(es) identified?	_____ Yes <u>  X  </u> No
Significant deficiency(ies) identified that are considered to be material weakness(es)?	_____ Yes <u>  X  </u> No
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510 (a)?	_____ Yes <u>  X  </u> No
Any audit findings disclosed that are required to be reported in accordance with Circular A-133?	_____ Yes <u>  X  </u> No
Any questioned cost identified?	_____ Yes <u>  X  </u> No

**EAST HARLEM COUNCIL FOR HUMAN SERVICES, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2014**

**Identification of Major Programs**

Name of Federal Program	CFDA No.
U.S. Department of Health and Human Services	
Affordable Care Act - Capital Development Grants	93.526
Community Health Centers	93.224
Affordable Care Act - Grants for New and Expanded Services under Health Center Program	93.527
Grants to provide outpatient Early Intervention Services with respect to HIV Disease (Ryan WhiteHIV/AIDS Program Part C)	93.918
Pass-through from New York City Administration for Children Services	
Head Start	93.600

**Part II – Current Year Financial Statements Findings**

None

**Part III – Prior Year Financial Statements Findings**

None

**Part IV – Current Year Federal Award Findings and Questioned Costs**

None

**Part V – Prior Year Federal Award Findings and Questioned Costs**

None

