



**GREATER LAWRENCE FAMILY HEALTH CENTER, INC.**

**FINANCIAL STATEMENTS IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS AND  
OMB CIRCULAR A-133  
JUNE 30, 2014 AND 2013  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT**

**GREATER LAWRENCE FAMILY HEALTH CENTER, INC.**

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JUNE 30, 2014 AND 2013**

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*Where Every Client is a Valued Client*

**UNMODIFIED OPINION ON FINANCIAL STATEMENTS ACCOMPANIED BY OTHER  
INFORMATION – NOT-FOR-PROFIT ENTITY**

Independent Auditor's Report

To the Board of Directors of  
Greater Lawrence Family Health Center, Inc.:

**Report on the Financial Statements**

We have audited the accompanying financial statements of Greater Lawrence Family Health Center, Inc. (a Massachusetts corporation, not for profit) (the Health Center) which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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.

To the Board of Directors of  
Greater Lawrence Family Health Center, Inc.  
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### ***Opinion***

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of Greater Lawrence Family Health Center, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards for the year ended June 30, 2014, 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 October 28, 2014, on our consideration of the Health Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended June 30, 2014. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health Center's internal control over financial reporting and compliance.



Boston, Massachusetts  
October 28, 2014

GREATER LAWRENCE FAMILY HEALTH CENTER, INC.

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2014 AND 2013

ASSETS	2014				2013			
	UNRESTRICTED				UNRESTRICTED			
	OPERATING AND BOARD DESIGNATED	PROPERTY, PLANT AND EQUIPMENT	TEMPORARILY RESTRICTED	TOTAL	OPERATING AND BOARD DESIGNATED	PROPERTY, PLANT AND EQUIPMENT	TEMPORARILY RESTRICTED	TOTAL
<b>CURRENT ASSETS:</b>								
Cash and cash equivalents - operating	\$ 9,462,032	\$ -	\$ 365,178	\$ 9,827,210	\$ 3,387,481	\$ -	\$ 400,282	\$ 3,787,763
Accounts receivable - patient services, net of allowances for uncollectible accounts of approximately \$2,937,000 and and \$2,925,000 at June 30, 2014 and 2013, respectively	7,554,129	-	-	7,554,129	6,662,887	-	-	6,662,887
Accounts receivable - grants, contracts and other	2,659,317	-	-	2,659,317	3,317,173	-	50,000	3,367,173
Pharmacy inventory, net	1,396,182	-	-	1,396,182	1,306,084	-	-	1,306,084
Prepaid expenses	748,193	-	-	748,193	858,853	-	-	858,853
Debt service fund	2,176	36,667	-	38,843	3,144	35,000	-	38,144
Total current assets	<u>21,822,029</u>	<u>36,667</u>	<u>365,178</u>	<u>22,223,874</u>	<u>15,535,622</u>	<u>35,000</u>	<u>450,282</u>	<u>16,020,904</u>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>								
Land	-	1,304,587	-	1,304,587	-	1,304,587	-	1,304,587
Buildings and improvements	-	8,983,600	-	8,983,600	-	8,981,422	-	8,981,422
Computer and other equipment	-	7,545,243	-	7,545,243	-	6,672,149	-	6,672,149
Leasehold improvements	-	2,765,816	-	2,765,816	-	2,757,215	-	2,757,215
Construction in progress	-	825,468	-	825,468	-	31,385	-	31,385
	-	21,424,714	-	21,424,714	-	19,746,758	-	19,746,758
Less - accumulated depreciation	-	10,117,168	-	10,117,168	-	8,419,334	-	8,419,334
Net property, plant and equipment	-	<u>11,307,546</u>	-	<u>11,307,546</u>	-	<u>11,327,424</u>	-	<u>11,327,424</u>
<b>CASH AND CASH EQUIVALENTS - BOARD DESIGNATED</b>	<u>2,000,000</u>	-	-	<u>2,000,000</u>	<u>3,000,000</u>	-	-	<u>3,000,000</u>
<b>DEBT SERVICE RESERVE FUND</b>	-	<u>250,000</u>	-	<u>250,000</u>	-	<u>250,000</u>	-	<u>250,000</u>
Total assets	<u>\$ 23,822,029</u>	<u>\$ 11,594,213</u>	<u>\$ 365,178</u>	<u>\$ 35,781,420</u>	<u>\$ 18,535,622</u>	<u>\$ 11,612,424</u>	<u>\$ 450,282</u>	<u>\$ 30,598,328</u>
<b>LIABILITIES AND NET ASSETS</b>								
<b>CURRENT LIABILITIES:</b>								
Current portion of long-term debt	\$ -	\$ 822,635	\$ -	\$ 822,635	\$ -	\$ 792,326	\$ -	\$ 792,326
Accounts payable	1,098,429	23,251	-	1,121,680	1,167,716	96,254	-	1,263,970
Accrued expenses	3,798,184	-	-	3,798,184	4,257,652	-	-	4,257,652
Total current liabilities	<u>4,896,613</u>	<u>845,886</u>	-	<u>5,742,499</u>	<u>5,425,368</u>	<u>888,580</u>	-	<u>6,313,948</u>
<b>LONG-TERM DEBT, net of current portion</b>	-	599,674	-	599,674	-	1,422,309	-	1,422,309
<b>INTEREST RATE SWAP CONTRACT IN LOSS POSITION</b>	-	4,279	-	4,279	-	16,974	-	16,974
Total liabilities	<u>4,896,613</u>	<u>1,449,839</u>	-	<u>6,346,452</u>	<u>5,425,368</u>	<u>2,327,863</u>	-	<u>7,753,231</u>
<b>NET ASSETS:</b>								
Unrestricted:								
Operating	16,925,416	-	-	16,925,416	10,110,254	-	-	10,110,254
Board designated	2,000,000	-	-	2,000,000	3,000,000	-	-	3,000,000
Property, plant and equipment	-	10,144,374	-	10,144,374	-	9,284,561	-	9,284,561
Total unrestricted	<u>18,925,416</u>	<u>10,144,374</u>	-	<u>29,069,790</u>	<u>13,110,254</u>	<u>9,284,561</u>	-	<u>22,394,815</u>
Temporarily restricted	-	-	365,178	365,178	-	-	450,282	450,282
Total net assets	<u>18,925,416</u>	<u>10,144,374</u>	<u>365,178</u>	<u>29,434,968</u>	<u>13,110,254</u>	<u>9,284,561</u>	<u>450,282</u>	<u>22,845,097</u>
Total liabilities and net assets	<u>\$ 23,822,029</u>	<u>\$ 11,594,213</u>	<u>\$ 365,178</u>	<u>\$ 35,781,420</u>	<u>\$ 18,535,622</u>	<u>\$ 11,612,424</u>	<u>\$ 450,282</u>	<u>\$ 30,598,328</u>

The accompanying notes are an integral part of these statements.

**GREATER LAWRENCE FAMILY HEALTH CENTER, INC.**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	2014					2013				
	UNRESTRICTED					UNRESTRICTED				
	OPERATING AND BOARD DESIGNATED	PROPERTY, PLANT AND EQUIPMENT	TOTAL UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	OPERATING AND BOARD DESIGNATED	PROPERTY, PLANT AND EQUIPMENT	TOTAL UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
<b>OPERATING REVENUES:</b>										
Net patient service revenue	\$ 34,529,594	\$ -	\$ 34,529,594	\$ -	\$ 34,529,594	\$ 28,407,351	\$ -	\$ 28,407,351	\$ -	\$ 28,407,351
Grants and contracts	13,748,266	-	13,748,266	907,200	14,655,466	16,710,724	-	16,710,724	663,084	17,373,808
Pharmacy sales of \$18,417,326 and \$15,404,672, net of related cost of sales of \$9,035,188 and \$7,581,788 in 2014 and 2013, respectively	9,382,138	-	9,382,138	-	9,382,138	7,822,884	-	7,822,884	-	7,822,884
Other revenue	501,979	-	501,979	-	501,979	196,111	-	196,111	-	196,111
Net assets released from purpose restrictions	923,338	-	923,338	(923,338)	-	553,431	-	553,431	(553,431)	-
<b>Total operating revenues</b>	<b>59,085,315</b>	<b>-</b>	<b>59,085,315</b>	<b>(16,138)</b>	<b>59,069,177</b>	<b>53,690,501</b>	<b>-</b>	<b>53,690,501</b>	<b>109,653</b>	<b>53,800,154</b>
<b>OPERATING EXPENSES:</b>										
Community Health Center	35,798,169	1,103,575	36,901,744	-	36,901,744	33,018,523	1,096,775	34,115,298	-	34,115,298
Family Practice Residency	7,931,543	339,577	8,271,120	-	8,271,120	8,243,845	337,469	8,581,314	-	8,581,314
Community Support Services	1,948,315	84,894	2,033,209	-	2,033,209	2,212,348	84,367	2,296,715	-	2,296,715
Area Health and Education Center	459,393	-	459,393	-	459,393	404,613	-	404,613	-	404,613
Pharmacy	4,896,361	169,788	5,066,149	-	5,066,149	4,562,318	168,735	4,731,053	-	4,731,053
<b>Total operating expenses</b>	<b>51,033,781</b>	<b>1,697,834</b>	<b>52,731,615</b>	<b>-</b>	<b>52,731,615</b>	<b>48,441,647</b>	<b>1,687,346</b>	<b>50,128,993</b>	<b>-</b>	<b>50,128,993</b>
Changes in net assets from operations	8,051,534	(1,697,834)	6,353,700	(16,138)	6,337,562	5,248,854	(1,687,346)	3,561,508	109,653	3,671,161
<b>CAPITAL GRANTS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>239,614</b>	<b>239,614</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100,000</b>	<b>100,000</b>
<b>NET ASSETS RELEASED FROM CAPITAL RESTRICTIONS</b>	<b>-</b>	<b>308,580</b>	<b>308,580</b>	<b>(308,580)</b>	<b>-</b>	<b>-</b>	<b>31,014</b>	<b>31,014</b>	<b>(31,014)</b>	<b>-</b>
<b>UNREALIZED GAIN ON CARRYING VALUE OF INTEREST RATE SWAP CONTRACT</b>	<b>-</b>	<b>12,695</b>	<b>12,695</b>	<b>-</b>	<b>12,695</b>	<b>-</b>	<b>19,894</b>	<b>19,894</b>	<b>-</b>	<b>19,894</b>
Changes in net assets	8,051,534	(1,376,559)	6,674,975	(85,104)	6,589,871	5,248,854	(1,636,438)	3,612,416	178,639	3,791,055
<b>NET ASSETS, beginning of year</b>	<b>13,110,254</b>	<b>9,284,561</b>	<b>22,394,815</b>	<b>450,282</b>	<b>22,845,097</b>	<b>10,443,541</b>	<b>8,338,858</b>	<b>18,782,399</b>	<b>271,643</b>	<b>19,054,042</b>
Transfers	(2,236,372)	2,236,372	-	-	-	(2,582,141)	2,582,141	-	-	-
<b>NET ASSETS, end of year</b>	<b>\$ 18,925,416</b>	<b>\$ 10,144,374</b>	<b>\$ 29,069,790</b>	<b>\$ 365,178</b>	<b>\$ 29,434,968</b>	<b>\$ 13,110,254</b>	<b>\$ 9,284,561</b>	<b>\$ 22,394,815</b>	<b>\$ 450,282</b>	<b>\$ 22,845,097</b>

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

**GREATER LAWRENCE FAMILY HEALTH CENTER, INC.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u><b>2014</b></u>	<u><b>2013</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 6,589,871	\$ 3,791,055
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,697,834	1,687,346
Bad debts	1,010,847	1,007,431
Capital grants	(239,614)	(100,000)
Unrealized gain on carrying value of interest rate swap contract	(12,695)	(19,894)
Change in pharmacy inventory reserve	8,803	(101,546)
Changes in operating assets and liabilities:		
Accounts receivable - patient services	(1,902,089)	(830,492)
Accounts receivable - grants, contracts and other	707,856	(1,924,740)
Pharmacy inventory	(98,901)	(274,018)
Prepaid expenses	110,660	(227,636)
Accounts payable - operating	(69,287)	427,408
Accrued expenses	(459,468)	813,935
	<u>7,343,817</u>	<u>4,248,849</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(1,654,705)	(1,847,572)
(Increase) decrease in cash and cash - board designated	1,000,000	(1,500,000)
Decrease in debt service fund	(699)	(1,638)
	<u>(655,404)</u>	<u>(3,349,210)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Capital grants	239,614	100,000
Net payments on long-term debt	(792,326)	(743,058)
Payments on accounts payable - property, plant and equipment	(96,254)	(20,025)
	<u>(648,966)</u>	<u>(663,083)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	6,039,447	236,556
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>3,787,763</u>	<u>3,551,207</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 9,827,210</u>	<u>\$ 3,787,763</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid for interest	<u>\$ 69,484</u>	<u>\$ 101,172</u>
Property, plant and equipment additions financed through accounts payable	<u>\$ 23,251</u>	<u>\$ 96,254</u>

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

GREATER LAWRENCE FAMILY HEALTH CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Comparative Totals for the Year Ended June 30, 2013)

	2014								2013		
	PROGRAM EXPENSES						GENERAL AND ADMINISTRATIVE			TOTAL	
	COMMUNITY HEALTH CENTER	FAMILY PRACTICE RESIDENCY	COMMUNITY SUPPORT SERVICES	AREA HEALTH AND EDUCATION CENTER	PHARMACY	TOTAL PROGRAM EXPENSES	SUPPORT SERVICES	FACILITY	TOTAL	TOTAL	
<b>PERSONNEL:</b>											
Salaries	\$ 19,624,223	\$ 3,769,789	\$ 1,182,544	\$ 197,677	\$ 3,233,786	\$ 28,008,019	\$ 549,317	\$ 344,904	\$ 5,604,675	\$ 34,506,915	\$ 32,264,003
Payroll taxes and fringe benefits	3,520,443	674,676	210,538	42,103	600,181	5,047,941	99,382	62,844	1,030,747	6,240,914	6,366,636
Purchased and contracted services	224,183	14,040	5,291	36,965	54,258	334,737	-	35,024	796,832	1,166,593	1,257,207
Staff training and development	91,235	125,610	14,460	7,236	9,415	247,956	985	29	140,354	389,324	477,107
Total personnel	23,460,084	4,584,115	1,412,833	283,981	3,897,640	33,638,653	649,684	442,801	7,572,608	42,303,746	40,364,953
<b>OCCUPANCY:</b>											
Depreciation	-	-	-	-	-	-	-	1,697,699	135	1,697,834	1,687,346
Rent and utilities	39,660	75	59,399	32,977	2,218	134,329	36,963	829,150	329,858	1,330,300	1,091,272
Repairs and maintenance	34,326	5,352	2,837	1,336	1,454	45,305	2,801	251,728	542	300,376	300,389
Interest	-	-	-	-	-	-	15,115	50,277	4,092	69,484	101,172
Insurance	6,778	2,729	5,239	-	894	15,640	1,576	34,975	9,117	61,308	60,416
Minor equipment	4,426	2,371	6,299	715	2,833	16,644	187	21,739	14,230	52,800	62,640
Total occupancy	85,190	10,527	73,774	35,028	7,399	211,918	56,642	2,885,568	357,974	3,512,102	3,303,235
<b>OTHER:</b>											
Professional services	127,733	9,579	102,874	21,451	109,199	370,836	577,960	50,288	1,031,457	2,030,541	1,646,114
Medical supplies	1,405,904	68,831	1,211	-	111,663	1,587,609	-	-	2,322	1,589,931	1,279,277
Bad debts	922,960	87,887	-	-	-	1,010,847	-	-	-	1,010,847	1,007,431
Communications	71,483	22,819	6,711	-	4,525	105,538	-	4,459	562,063	672,060	664,632
Dues, subscriptions and miscellaneous	83,441	77,446	6,345	261	18,695	186,188	1,150	3,261	216,677	407,276	449,338
Office, supplies and related	143,126	12,117	24,505	9,320	43,181	232,249	4,597	757	122,127	359,730	412,385
Sub-grant awards	72,440	-	223,221	-	-	295,661	-	-	-	295,661	372,840
Printing and postage	75,442	10,582	9,111	3,752	946	99,833	3,018	535	29,558	132,944	127,743
Marketing	-	-	4,495	-	876	5,371	-	-	118,139	123,510	100,402
Recruitment	-	6,318	-	-	-	6,318	-	345	97,733	104,396	200,535
Patient transportation	44,684	-	23,547	-	-	68,231	-	-	-	68,231	78,220
Insurance	-	29,024	-	-	1,250	30,274	-	-	27,912	58,186	76,937
Fundraising	-	-	-	-	-	-	-	-	32,113	32,113	7,029
Travel	5,057	1,502	4,679	1,110	870	13,218	310	10,334	6,479	30,341	37,922
Total other	2,952,270	326,105	406,699	35,894	291,205	4,012,173	587,035	69,979	2,246,580	6,915,767	6,460,805
Total expenses before allocations	26,497,544	4,920,747	1,893,306	354,903	4,196,244	37,862,744	1,293,361	3,398,348	10,177,162	52,731,615	50,128,993
<b>COMMUNITY HEALTH CENTER ALLOCATION</b>	(1,320,854)	1,319,424	1,430	-	-	-	-	-	-	-	-
Total expenses before support services, facility and general and administrative allocations	25,176,690	6,240,171	1,894,736	354,903	4,196,244	37,862,744	1,293,361	3,398,348	10,177,162	52,731,615	50,128,993
<b>SUPPORT SERVICES ALLOCATION</b>	1,138,158	155,203	-	-	-	1,293,361	(1,293,361)	-	-	-	-
<b>FACILITY ALLOCATION</b>	2,854,612	203,901	33,983	-	33,983	3,126,479	-	(3,398,348)	271,869	-	-
<b>GENERAL AND ADMINISTRATIVE ALLOCATION</b>	7,732,284	1,671,845	104,490	104,490	835,922	10,449,031	-	-	(10,449,031)	-	-
Total expenses	\$ 36,901,744	\$ 8,271,120	\$ 2,033,209	\$ 459,393	\$ 5,066,149	\$ 52,731,615	\$ -	\$ -	\$ -	\$ 52,731,615	\$ 50,128,993

The accompanying notes are an integral part of these statements.

GREATER LAWRENCE FAMILY HEALTH CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2013

	PROGRAM EXPENSES							GENERAL AND ADMINIS- TRATIVE	TOTAL	
	COMMUNITY HEALTH CENTER	FAMILY PRACTICE RESIDENCY	COMMUNITY SUPPORT SERVICES	AREA HEALTH AND EDUCATION CENTER	PHARMACY	TOTAL PROGRAM EXPENSES	SUPPORT SERVICES	FACILITY		
<b>PERSONNEL:</b>										
Salaries	\$ 18,129,177	\$ 3,656,267	\$ 1,173,282	\$ 175,527	\$ 2,879,081	\$ 26,013,334	\$ 643,320	\$ 376,837	\$ 5,230,512	\$ 32,264,003
Payroll taxes and fringe benefits	3,605,314	714,289	231,797	37,788	587,641	5,176,829	119,838	74,297	995,672	6,366,636
Purchased and contracted services	293,277	10,828	287	11,630	51,176	367,198	2,464	24,054	863,491	1,257,207
Staff training and development	150,200	154,980	14,202	5,918	15,810	341,110	1,479	424	134,094	477,107
Total personnel	22,177,968	4,536,364	1,419,568	230,863	3,533,708	31,898,471	767,101	475,612	7,223,769	40,364,953
<b>OCCUPANCY:</b>										
Depreciation	-	-	-	-	-	-	-	1,687,346	-	1,687,346
Rent and utilities	69,481	-	53,268	44,995	1,926	169,670	42,750	663,047	215,805	1,091,272
Repairs and maintenance	36,080	1,853	3,672	847	2,353	44,805	1,334	247,275	6,975	300,389
Interest	-	-	-	-	-	-	24,371	55,609	21,192	101,172
Insurance	4,606	2,559	5,572	-	605	13,342	1,651	36,352	9,071	60,416
Minor equipment	11,838	516	2,268	732	6,255	21,609	567	14,485	25,979	62,640
Total occupancy	122,005	4,928	64,780	46,574	11,139	249,426	70,673	2,704,114	279,022	3,303,235
<b>OTHER:</b>										
Professional services	132,441	10,598	18,726	5,621	73,215	240,601	565,501	82	839,930	1,646,114
Medical supplies	1,079,085	88,554	3,007	-	103,398	1,274,044	-	-	5,233	1,279,277
Bad debts	755,125	75,850	-	-	171,516	1,002,491	-	-	4,940	1,007,431
Communications	95,525	30,825	8,776	2,320	5,617	143,063	910	15,104	505,555	664,632
Dues, subscriptions and miscellaneous	65,368	86,136	3,466	2,303	17,021	174,294	999	1,879	272,166	449,338
Office, supplies and related	174,616	14,659	29,609	12,966	46,152	278,002	7,092	1,107	126,184	412,385
Sub-grant awards	137,869	-	234,971	-	-	372,840	-	-	-	372,840
Printing and postage	69,142	7,227	12,321	2,076	2,250	93,016	3,893	46	30,788	127,743
Marketing	-	-	1,540	-	-	1,540	-	-	98,862	100,402
Recruitment	-	6,974	-	-	-	6,974	-	650	192,911	200,535
Patient transportation	49,600	-	28,620	-	-	78,220	-	-	-	78,220
Insurance	-	46,800	-	-	1,000	47,800	-	-	29,137	76,937
Fundraising	-	-	-	-	-	-	-	-	7,029	7,029
Travel	4,968	2,020	5,561	1,758	942	15,249	166	9,792	12,715	37,922
Total other	2,563,739	369,643	346,597	27,044	421,111	3,728,134	578,561	28,660	2,125,450	6,460,805
Total expenses before allocations	24,863,712	4,910,935	1,830,945	304,481	3,965,958	35,876,031	1,416,335	3,208,386	9,628,241	50,128,993
<b>COMMUNITY HEALTH CENTER ALLOCATION</b>	(1,414,108)	1,413,036	1,072	-	-	-	-	-	-	-
Total expenses before support services, facility and general and administrative allocations	23,449,604	6,323,971	1,832,017	304,481	3,965,958	35,876,031	1,416,335	3,208,386	9,628,241	50,128,993
<b>SUPPORT SERVICES ALLOCATION</b>	1,218,048	198,287	-	-	-	1,416,335	(1,416,335)	-	-	-
<b>FACILITY ALLOCATION</b>	2,438,372	256,671	64,168	-	64,168	2,823,379	-	(3,208,386)	385,007	-
<b>GENERAL AND ADMINISTRATIVE ALLOCATION</b>	7,009,274	1,802,385	400,530	100,132	700,927	10,013,248	-	-	(10,013,248)	-
Total expenses	\$ 34,115,298	\$ 8,581,314	\$ 2,296,715	\$ 404,613	\$ 4,731,053	\$ 50,128,993	\$ -	\$ -	\$ -	\$ 50,128,993

The accompanying notes are an integral part of these statements.

**GREATER LAWRENCE FAMILY HEALTH CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**

**OPERATIONS AND NONPROFIT STATUS**

Greater Lawrence Family Health Center, Inc. (the Health Center) was incorporated in August, 1980, and provides comprehensive family health services to the residents of Lawrence, Massachusetts and surrounding communities. The Health Center also operates an accredited family practice residency training program. The Health Center has been accredited by the Joint Commission on Accreditation of Healthcare Organizations. A substantial portion of operational funding is from contracts, grants and third party payments from governmental agencies (see Note 7).

The Health Center is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Health Center is also exempt from state income taxes. Donors may deduct contributions made to the Health Center within the IRC requirements.

The Health Center collaborates with Lawrence General Hospital (the Hospital) through a program limited to admission privileges of Health Center physicians and the provision of inpatient rotations of Family Practice residents.

**SIGNIFICANT ACCOUNTING POLICIES**

The Health Center prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Cash and Cash Equivalents

Cash and cash equivalents - operating and cash and cash equivalents - Board designated consist of savings, checking, overnight investments and money market accounts at June 30, 2014 and June 30, 2013. Only the cash and cash equivalents – operating are considered for the accompanying statements of cash flows.

Accounts Receivable - Patient Services

Accounts receivable - patient services are stated at unpaid balances, less an allowance for doubtful accounts. The allowance is based on experience, third party contracts, and other circumstances which may affect the ability of the Health Center to collect the receivables. Receivables are considered impaired if full payments are not received in accordance with the contractual terms. It is the Health Center's policy to charge-off uncollectible accounts receivable when management determines the receivable will not be collected.

Pharmacy Inventory

Pharmacy inventory consists of pharmaceuticals on hand and is recorded at prevailing market cost, net of reserves for obsolescence of \$92,170 and \$83,367 at June 30, 2014 and 2013, respectively.

GREATER LAWRENCE FAMILY HEALTH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(Continued)

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Property, Plant and Equipment and Depreciation

Purchased property, plant and equipment are recorded at cost. Donated property, plant and equipment are recorded at fair value at the time of donation. Improvements are capitalized, while repairs and maintenance are expensed as they are incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	5 - 40 years
Computer and other equipment	3 - 7 years
Leasehold improvements	Life of lease

Revenue Recognition

Contract revenue is recorded over the contract period as services are provided. Unrestricted grants and contributions are recorded as revenue when received or unconditionally pledged. Grants and contributions that are designated by donors for specific purposes are reported as temporarily restricted net assets when received or unconditionally pledged. Transfers are made from temporarily restricted net assets to unrestricted net assets as costs are incurred or as program restrictions are met. Pharmacy sales are recorded at the time of sale, and are net of direct cost of goods sold on the accompanying statements of activities and changes in net assets.

Patient service revenue is recorded as services are provided. Net patient service revenue reflects the amounts to be collected after provision for contractual allowances, sliding fee adjustments and free care. Contractual allowances are accrued on an estimated basis in the period the related services are rendered. Net patient service revenue is adjusted as required based upon final settlements. Contractual allowances were approximately \$17,111,000 and \$16,360,000 for the years ended June 30, 2014 and 2013, respectively.

The Health Center has a policy of providing free care services to patients who meet certain criteria under its free care policy without charge or at amounts less than its established rates. The Health Center does not pursue collection of amounts determined to qualify as free care and these amounts are not reported as revenue. The Health Center provided \$7,538,384 and \$6,331,865 of free care during the years ended June 30, 2014 and 2013, respectively. The cost of providing these services was \$5,373,602 and \$4,815,832 for the years ended June 30, 2014 and 2013, respectively. The cost of providing free care was calculated by multiplying the percentage of gross free care charges to gross patient charges by the total cost of providing patient services.

GREATER LAWRENCE FAMILY HEALTH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(Continued)

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Revenue Recognition (Continued)

In fiscal years 2014 and 2013, the Health Center was reimbursed \$1,876,830 and \$2,280,654, respectively, by the Massachusetts Division of Health Care Finance and Policy (DHCFP) for free care services provided to eligible patients. DHCFP reimburses the Health Center based upon current actual units of free care services provided, as allowed under DHCFP free care regulations. This revenue is included in net patient service revenue and pharmacy sales in the accompanying statements of activities and changes in net assets. Other revenue is recognized when earned.

Net Assets

**Unrestricted Net Assets:**

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Health Center. The Health Center has grouped its unrestricted net assets into the following categories:

***Operating*** - Represent resources available to carry on the operations of the Health Center.

***Board designated*** - Represent resources set aside by the Board of Directors for future programs or projects of the Health Center. These funds may only be used with the approval of the Board of Directors.

***Property, plant and equipment*** - Represent the Health Center's investment in property, plant and equipment, net of related debt.

**Temporarily Restricted Net Assets:**

The Health Center receives grants and contributions which are designated by donors for specific purposes. These grants are recorded as temporarily restricted net assets until they are expended for their designated purposes. Temporarily restricted net assets at June 30, 2014 and 2013, were purpose restricted.

Estimates

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

GREATER LAWRENCE FAMILY HEALTH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(Continued)

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fair Value Measurements

ASC Topic, *Fair Value Measurements*, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The standards establish a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value.

The three levels of the fair value hierarchy are as follows:

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 – Inputs other than quoted prices in active markets that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 – Inputs that are unobservable and which require significant judgment or estimation.

A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. The Health Center values its qualifying assets and liabilities using Level 1 inputs, except certain bonds and its interest rate swap contract (see Note 3) which use Level 2 inputs.

Subsequent Events

Subsequent events have been evaluated through October 28, 2014, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

Accounting for Uncertainty in Income Taxes

The Health Center accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statement regarding a tax position taken or expected to be taken in a tax return. The Health Center has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2014 or 2013. The Health Center's tax returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

**GREATER LAWRENCE FAMILY HEALTH CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

(Continued)

**(2) CONSTRUCTION IN PROGRESS**

During 2013, the Health Center began a renovation and expansion project at one of its locations. Estimated project costs are approximately \$1,043,000. As of June 30, 2014 and 2013, the Health Center incurred predevelopment and construction costs of \$825,468 and \$31,385, respectively, for this project. Project funding has been provided by private grants and contributions, and unrestricted resources. Total estimated costs to complete the project are approximately \$250,000, as of June 30, 2014. The entire renovation is expected to be completed in July, 2014.

**(3) LONG-TERM DEBT**

Long-term debt consists of the following:

	<u>2014</u>	<u>2013</u>
Mortgage note payable to Massachusetts Health and Educational Facilities Authority (HEFA). Under this agreement, the Health Center pays monthly installments of principal and interest of approximately \$38,000, through May, 2016, to a bank which was appointed as trustee by HEFA. The note is backed by fifteen-year variable rate revenue bonds. Interest on the bonds is payable semi-annually at 2.73%. The mortgage is secured by substantially all assets of the Health Center.	\$ 930,000	\$1,355,000
3.99% note payable to a financing company, due in monthly installments of principal and interest of \$17,325, through January 1, 2016. The note is secured by certain property rights in specified software.	318,474	509,510
Note payable to a bank, due in monthly installments of principal and interest of \$16,294, through May, 2015. Interest is at the one-month London Interbank Offered Rate (LIBOR) (0.15% and 0.19% at June 30, 2014 and 2013, respectively), plus 2%. This note is secured by specified property, plant and equipment and an assignment of specified leases.	173,835	350,125
	1,422,309	2,214,635
Less - current portion	822,635	792,326
	<u>\$ 599,674</u>	<u>\$1,422,309</u>

As part of the first note above, the Health Center must maintain a debt service fund and a debt service reserve fund. These funds are held by a trustee and are used for the repayment of debt, subject to review and approval from the bank.

The Health Center is subject to certain financial covenants as defined in the agreements. The Health Center was in compliance with these financial covenants as of June 30, 2014 and 2013.

**GREATER LAWRENCE FAMILY HEALTH CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

(Continued)

**(3) LONG-TERM DEBT** (Continued)

The Health Center has entered into an interest rate swap contract to hedge against potential interest rate increases on the note payable to the bank. The following terms effectively fix the interest rate on the note proceeds at June 30:

	<u>2014</u>	<u>2013</u>
Notional amount	\$173,835	\$350,125
Fixed rate assumed by the Health Center	6.96%	6.96%
Basis for variable rate assumed by counterpart	LIBOR plus 2%	LIBOR plus 2%
Maturity date	May 29, 2015	May 29, 2015
Carrying value (in loss position)	\$4,279	\$16,974

To account for the interest rate swap contract, the Health Center follows the provisions of ASC Topic, *Derivatives and Hedging*.

The swap contract is reported at fair value in the accompanying statements of financial position. Fair value is derived using Level 2 inputs (see page 10), including prevailing credit spreads, market liquidity, assumed transaction and hedging costs, and other factors. Any gain or loss in the value of the interest rate swap arrangement is recorded as a change in unrestricted net assets in the accompanying statements of activities and changes in net assets.

The aggregate remaining principal payments required on long-term debt are as follows:

2015	\$822,635
2016	\$599,674

**(4) LINES OF CREDIT**

The Health Center has available a \$1,000,000 operating line of credit with a bank. Borrowings under the line of credit are due on demand and interest is payable monthly at the bank's prime lending rate (3.25 % at June 30, 2014 and 2013), plus .5%. There were no outstanding balances under the line of credit as of June 30, 2014 or 2013. The line of credit is renewable annually in January, and is secured by a second priority security interest in substantially all assets of the Health Center. The line of credit is subject to specified covenants and is limited to 50% of the Health Center's accounts receivable less than ninety days old. The Health Center was in compliance with the specified covenants as of June 30, 2014 and 2013.

The Health Center also has available an unsecured \$1,875,000 property and equipment line of credit with a bank. Advances can be made up to seventy-five percent of the purchase price of the property and equipment. Interest is payable monthly at the bank's prime lending rate (3.25% at June 30, 2014 and 2013), plus 0.75%. The line of credit expires in January, 2015. There were no outstanding balances under the line of credit as of June 30, 2014 or 2013.

**GREATER LAWRENCE FAMILY HEALTH CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

(Continued)

**(5) OPERATING LEASES**

The Health Center rents various facilities under operating lease agreements and as a tenant-at-will. The Health Center is responsible for utilities and maintenance and must maintain specified insurance coverage. The aggregate monthly payments were approximately \$77,000 and \$60,300 for the years ended June 30, 2014 and 2013, respectively. The leases expire at various intervals through December, 2021, and contain provisions for renewal options.

Remaining lease payments under non-cancelable lease obligations are as follows:

**Fiscal Years**

2015	\$571,649
2016	\$540,339
2017	\$388,440
2018	\$397,883
2019	\$282,781

Rent expense was \$928,168 and \$723,676 for the years ended June 30, 2014 and 2013, respectively, and is included in rent and utilities in the accompanying statements of functional expenses.

**(6) RETIREMENT PLANS**

The Health Center has a flexible retirement annuity plan covering substantially all employees over the age of 21 who have completed a minimum of 1,000 hours of service within their first year of employment. Health Center contributions vest at 25% after two years of service through 100% after five years of service. This plan was frozen in December, 2008. In May, 2014 the Health Center terminated this plan effective July 1, 2014.

The Health Center also has a defined contribution pension plan. All eligible employees are automatically enrolled with an option to opt out. The Health Center contributes 3% of each employee's annual compensation.

The Health Center's expense under these plans for the years ended June 30, 2014 and 2013, was \$767,528 and \$778,359, respectively, which is included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

**GREATER LAWRENCE FAMILY HEALTH CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

(Continued)

**(7) FUNDING**

Charges made to most third party payors for patient services are periodically reviewed and adjusted based upon the submission of cost reports and possible subsequent audits. In the opinion of management, the effect of such cost determinations or adjustments, if any, will not have a material effect on the financial position of the Health Center as of June 30, 2014 and 2013, or on the changes in net assets for the years then ended.

The Health Center is entitled to receive settlements based upon the submission of cost reports. These settlements are not readily determinable and are, therefore, not recorded until the cost reports are finalized.

The Health Center receives a significant portion of its total operating revenues and support from the U.S. Department of Health and Human Services (HHS) under Federal grants. These grants are subject to audit by HHS. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Health Center as of June 30, 2014 and 2013, or on the changes in its net assets for the years then ended.

The Health Center receives reimbursement for direct and indirect costs it incurs in the training and supervision of residents in the Family Practice Residency program, as allowed by Federal guidelines. Reimbursement from Federal and other third party payors is passed through the Hospital to the Health Center under a contractual arrangement, which renews annually unless prior notice is given by either of the parties. Reimbursement under this program was \$3,100,000 for the years ended June 30, 2014 and 2013, and is included in grants and contracts in the accompanying statements of activities and changes in net assets. The Health Center also has entered into a contract with the Hospital to support and further the services of the Health Center's obstetrics and inpatient programs. Total revenue for this contract was \$1,000,000 for the years ended June 30, 2014 and 2013, which is also included in grants and contracts in the accompanying statements of activities and changes in net assets.

The Health Center and the Hospital have entered into a three-year agreement as part of a joint state and Federal Delivery System Transformation Initiative Funds (Waiver Funds) program. The program is intended to support and reward the Hospital and the Health Center for improvements to their systems that support the pursuit of improving the healthcare experience and reducing per capita costs of healthcare. Payments of the Waiver Funds are conditional upon the Hospital meeting certain metrics as defined in the agreement. Waiver Funds earned during the years ended June 30, 2014 and 2013, totaled approximately \$2,217,000 and \$5,385,000, respectively, and are included in grants and contracts in the accompanying statements of activities and changes in net assets. At June 30, 2014 and 2013, approximately \$1,609,000 and \$1,147,000, respectively, of this revenue was included in accounts receivable - grants, contracts and other in the accompanying statements of financial position (see Note 8).

Effective March 1, 2014, the Health Center entered into a Primary Care Payment Reform Initiative (PCPRI) contract with the Commonwealth of Massachusetts, Executive Office of Health and Human Services for services provided to certain MassHealth (a Massachusetts insurance provider) patients. PCPRI combines a shared savings/risk arrangement with quality incentives. PCPRI is a pilot program for the period March 1, 2014 to December 31, 2016. Year one is for the period March 1, 2014 to December 31, 2014, year two is for the period January 1, 2015 to December 31, 2015, and year three is for the period January 1, 2016 to December 31, 2016.

**GREATER LAWRENCE FAMILY HEALTH CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

(Continued)

**(7) FUNDING (Continued)**

Under PCPRI, the Health Center receives reimbursement from MassHealth under the following payment model:

- 1) Comprehensive Primary Care Payment (CPCP) – a risk adjusted per panel enrollee, per month payment.
- 2) Quality Incentive Payment (QIP) – Annual incentive for reporting and performance on pre-defined primary care quality metrics.
- 3) Shared Savings Payment (SSP) – Annual payment to the Health Center based upon savings on non-primary care spending by MassHealth, including hospitalizations and specialty services.

During fiscal year 2014, the Health Center received CPCP payments of approximately \$2,516,000, which are included in net patient service revenue in the accompanying statement of activities and changes in net assets. The Health Center is eligible for a “Hold Harmless” settlement if the Health Center’s CPCP payments are less than what the reimbursement would have been under traditional fee for service reimbursement from MassHealth, as defined in the PCPRI contract. The Hold Harmless settlements are determined on a quarterly basis beginning with the period ended June 30, 2014. The Health Center has determined that it is not owed a Hold Harmless settlement as of June 30, 2014. The Health Center could owe CPCP payments back to MassHealth if it has received payments for patients not seen by the Health Center within eighteen months of the end of each year. The Health Center has estimated a settlement owed to MassHealth of approximately \$262,000 as of June 30, 2014, which is included in accrued expenses in the accompanying combining statement of financial position.

The QIP is an annual incentive payment based upon the Health Center’s pool performance on pre-defined primary care metrics. The QIP will be based upon the Health Center’s reporting of certain quality metrics. In years two and three, the QIP will also incorporate performance on certain quality metrics.

The SSP is calculated annually based upon the difference between the actual spending and targeted spending as determined by MassHealth. For the first year under PCPRI, the Health Center is entitled to a settlement from MassHealth if actual spending is less than the targeted spending. In years two and three, the Health Center could be subject to a settlement back to MassHealth if the actual spending is more than the targeted spending based upon certain criteria as defined in the PCPRI contract.

The QIP and SSP are paid retrospectively at the end of each contract year, once determined by MassHealth. Since any QIP and SSP settlements for calendar year 2014 cannot be determined as of June 30, 2014, there have been no settlements recorded in the accompanying financial statements.

**GREATER LAWRENCE FAMILY HEALTH CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

(Continued)

**(8) CONCENTRATIONS**

The Health Center maintains its cash balances in certain banks in Massachusetts. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Health Center has not experienced any losses in such accounts. The Health Center believes it is not exposed to any significant credit risk on cash and cash equivalents.

At June 30, 2014 and 2013, revenues and receivables from third-party payors and contracts consist of the following concentrations:

<u>Payor</u>	<u>2014</u>		<u>2013</u>	
	<u>Percentage of Revenue</u>	<u>Percentage of Net Accounts Receivable</u>	<u>Percentage of Revenue</u>	<u>Percentage of Net Accounts Receivable</u>
The Hospital	11%	18%	18%	7%
Medicaid and related	14%	8%	13%	12%

**(9) CONTINGENCIES**

From time-to-time, the Health Center may be involved in various claims and lawsuits, both for and against the Health Center, arising in the normal course of business. Management believes that any financial responsibility that may be incurred in settlements of such claims and lawsuits would not be material to the Health Center's financial position. As of June 30, 2014, management is not aware of any outstanding claims or lawsuits for or against the Health Center.

**(10) RECLASSIFICATIONS**

Certain amounts in the fiscal year 2013 financial statements have been reclassified to conform with the fiscal year 2014 presentation.

**GREATER LAWRENCE FAMILY HEALTH CENTER**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>	<u>AMOUNT PROVIDED TO SUBRECIPIENTS</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u></b>				
Direct Programs:				
Health Centers Cluster:				
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	N/A	\$ 2,550,954	\$ -
Affordable Care Act -Teaching Health Center Graduate Medical Education Payments Program	93.530	N/A	849,240	-
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	585,721	223,221
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	N/A	45,422	30,000
Drug-Free Communities Support Program Grants	93.276	N/A	33,518	-
Mental Health Research Grants	93.242	N/A	21,666	-
Pass-through Boston Public Health:				
HIV Emergency Relief Project Grants	93.914	PO201301843 PO201301844 PO201301845 PO201402112 PO201402362	538,321	-
Pass-through Commonwealth of Massachusetts, Department of Public Health:				
HIV Prevention Activities, Health Department Based	93.940	4942MM3100119024	100,000	-
Coordinated Services and Access to Research for Women, Infants, Children and Youth	93.153	3712MM3200815239	68,221	-
PPHF - Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - Financed Solely by Prevention and Public Health Funds	93.531	2902M04200317077	21,726	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2351MM3802114005	16,209	-
Pass-through University of Massachusetts Medical School - Worcester:				
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	5-U77-HP03016-20-00	80,452	-
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 4,911,450</u>	<u>\$ 253,221</u>

**NOTE 1. BASIS OF PRESENTATION**

The accompanying Supplementary Schedule of Expenditures of Federal Awards includes the Federal assistance activity of the Health Center and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

*Where Every Client is a Valued Client*

**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**

Independent Auditor's Report

To the Board of Directors of  
Greater Lawrence Family Health Center, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Greater Lawrence Family Health Center, Inc. (the Health Center), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Health Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Health Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Health Center's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Health Center'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 Health Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Health Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Boston, Massachusetts  
October 28, 2014

*Where Every Client is a Valued Client*

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

To the Board of Directors of  
Greater Lawrence Family Health Center, Inc.:

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

We have audited Greater Lawrence Family Health Center, Inc.'s (the Health Center) 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 the Agency's major Federal programs for the year ended June 30, 2014. The Health Center's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, the Health Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of the Health Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Health Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Health Center's internal control over compliance.

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

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



Boston, Massachusetts  
October 28, 2014

**GREATER LAWRENCE FAMILY HEALTH CENTER, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2014**

**I. SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?           Yes              X   No
- Significant deficiency(ies) identified?           Yes              X   None reported

Noncompliance material to financial statements noted?           Yes              X   No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?           Yes              X   No
- Significant deficiency(ies) identified?           Yes              X   None reported

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

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

Identification of the major programs:

<u>Program or Cluster Title</u>	<u>Federal CFDA Number</u>
Health Centers Cluster	93.224
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918
HIV Emergency Relief Project Grants	93.914

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.

Auditee qualified as low-risk auditee?           Yes              X   No

**GREATER LAWRENCE FAMILY HEALTH CENTER, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2014**

(Continued)

**II. FINANCIAL STATEMENT FINDINGS**

None

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**IV. STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**FINDING 2013-001 (Formerly 2013-1)**

*Cash*

*Finding Summary:* The Health Center did not properly reconcile its cash balances during fiscal year 2013. The reconciliations were re-done by a consultant for the full fiscal year, resulting in an adjustment of approximately \$30,000.

The corrected operating account reconciliation contained approximately \$64,000 of outstanding checks which were over six months old.

*Current Status:* This finding has been addressed.

**FINDING 2013-002 (Formerly 2013-2)**

*Accounts Receivable Aging*

*Finding Summary:* The Health Center's third party Aged Trial Balance accounts receivable report did not reconcile to the general ledger. The report varied in total (by approximately \$335,000) and by payor class to the general ledger.

*Current Status:* This finding has been addressed.

**FINDING 2013-003 (Formerly 2013-3)**

*Construction in Process*

*Finding Summary:* The Health Center completed multiple construction in process (CIP) projects during fiscal year 2013. These projects remained in CIP at year-end even though the projects had been placed in service during the fiscal year.

*Current Status:* This finding has been addressed.

**GREATER LAWRENCE FAMILY HEALTH CENTER, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2014**

(Continued)

**IV. STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (Continued)**

**FINDING 2013-004 (Formerly 2013-4)**

*Accounts Payable*

*Finding Summary:* Various invoices dating back to the beginning of the fiscal year were never entered into the accounts payable software module or paid. These invoices were properly accrued as of June 30, 2013.

*Current Status:* This finding has been addressed.

**FINDING 2013-005 (Formerly 2013-5)**

*Health Centers Cluster - CFDA 93.224*

*Federal Compliance*

*Finding Summary:* The Health Center failed to file their Federal Financial Report within ninety days of the ending contract date. Management was unable to locate minutes for the Finance Committee meeting that occurred in July of 2012.

*Current Status:* This finding has been addressed.