

**JWCH INSTITUTE, INC.**  
**(A Non-Profit Corporation)**

**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**  
**(With Independent Auditor's Report Thereon)**

**SINGLE AUDIT REPORTS AND SCHEDULES**  
**FOR THE YEAR ENDED JUNE 30, 2014**



**JWCH INSTITUTE, INC.**  
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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
JWCH Institute, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of JWCH Institute, Inc. (JWCH), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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





***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JWCH as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Other Matters***

***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of functional expenses on pages 18 and 19 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 30, 2015 on our consideration of JWCH's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 JWCH's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Simpson &amp; Simpson".

March 30, 2015  
Los Angeles, California

**JWCH INSTITUTE, INC.**

**STATEMENTS OF FINANCIAL POSITION  
AS OF JUNE 30**

<b>ASSETS</b>	<b>2014</b>	<b>2013</b>
Current Assets:		
Cash and Cash Equivalents	\$ 153,383	\$ 628,964
Grants and Contracts Receivable	2,876,586	2,353,999
Program Service Receivable, less allowance for doubtful accounts of \$159,103 in 2014 and \$398,695 in 2013	2,645,221	2,054,113
Other Receivables	301,332	130,002
Inventory	70,030	35,892
Prepaid Expenses	64,606	67,786
Total Current Assets	<u>6,111,158</u>	<u>5,270,756</u>
Noncurrent Assets:		
Deposits	57,550	196,167
Property and Equipment, Net (Note D)	8,811,985	4,428,154
Total Noncurrent Assets	<u>8,869,535</u>	<u>4,624,321</u>
Total Assets	<u>\$ 14,980,693</u>	<u>\$ 9,895,077</u>
<b>LIABILITIES &amp; NET ASSETS</b>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 1,979,900	\$ 1,954,202
Payroll and Related Liabilities	1,545,503	1,513,922
Grant Advances	933,569	1,255,844
Current Portion of Long Term Loans (Note E)	357,046	284,256
Line of Credit (Note F)	1,273,000	993,000
Total Current Liabilities	<u>6,089,018</u>	<u>6,001,224</u>
Long Term Liabilities:		
Long Term Loans (Note E)	4,713,557	1,660,761
Total Long Term Liabilities	<u>4,713,557</u>	<u>1,660,761</u>
Total Liabilities	10,802,575	7,661,985
Commitments and Contingencies (Note I)		
Unrestricted Net Assets	<u>4,178,118</u>	<u>2,233,092</u>
Total Liabilities & Net Assets	<u>\$ 14,980,693</u>	<u>\$ 9,895,077</u>

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

**JWCH INSTITUTE, INC.**

**STATEMENTS OF ACTIVITIES**

For the Years Ended June 30

	2014	2013
Support and Revenues from Operations:		
Program Service Income, Net (Note C)	\$ 13,945,985	\$ 11,464,298
Provision for Bad Debts	(182,831)	(264,894)
Net Program Service Income Less Provision for Bad Debts	13,763,154	11,199,404
Pharmacy Revenue	806,297	-
Government Grants and Contracts	12,593,382	12,413,598
Private Foundation Grants	1,036,558	923,191
Donations	91,924	122,413
Interest Income	207	66
Other Revenue	412,225	237,875
Total Support and Revenues from Operations	28,703,747	24,896,547
Operating Expenses:		
Program Services:		
AIDS Prevention and Education	2,461,442	2,399,491
Family Planning	1,110,343	2,285,530
Information and Education Services	634,595	89,063
HIV Case Management	190,381	144,108
Recuperative Care	1,973,442	1,966,785
Substance Abuse Treatment	847,649	859,865
JWCH Clinic at Weingart	6,139,123	5,878,612
JWCH Clinic at Bell Gardens	2,168,294	1,820,913
JWCH Clinic at Norwalk	1,601,340	1,737,593
JWCH Clinic at Lynwood	1,696,124	1,988,266
JWCH Clinic at P.A.T.H.	484,550	498,907
JWCH Other Clinic	2,921,839	1,480,635
SHIP-CDC	308,676	326,499
Bureau of Primary Health Care-Health Center Cluster	2,699,919	2,221,264
Other Programs Services	619,709	348,632
Total Program Services	25,857,426	24,046,163
Supporting Services:		
General and Administrative	536,911	513,469
Other Supportive Service	281,344	244,322
Fundraising	83,040	75,140
Total Supporting Services	901,295	832,931
Total Operating Expenses	26,758,721	24,879,094
Excess of Support and Revenues from Operations Over Operating Expenses	1,945,026	17,453
Special Item:		
Write-off of Old Program Service Receivable (Note K)	-	(1,031,142)
Change in Net Assets	1,945,026	(1,013,689)
Unrestricted Net Assets Beginning of Year, Restated 2012 (Note L)	2,233,092	3,246,781
Unrestricted Net Assets End of Year	\$ 4,178,118	\$ 2,233,092

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

***JWCH INSTITUTE, INC.***

**STATEMENTS OF CASH FLOWS**

For the Year Ended June 30

	<u>2014</u>	<u>2013</u>
<b>Cash Flows From Operating Activities</b>		
Change in Net Assets	\$ 1,945,026	\$ (1,013,689)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	340,368	331,924
(Increase) Decrease in:		
Grants and Contracts Receivable	(522,587)	250,498
Program Service Receivable	(591,108)	297,319
Other Receivables	(171,330)	(22,902)
Inventory	(34,138)	1,356
Prepaid Expenses	3,180	(18,286)
Deposits	138,617	(118,353)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	25,698	406,026
Payroll and Related Liabilities	31,581	66,348
Grant Advances	(322,275)	674,265
Net Cash Provided by Operating Activities		
Operating Activities	<u>843,032</u>	<u>854,506</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of Property and Equipment	<u>(1,489,086)</u>	<u>(745,782)</u>
Net Cash Used in Investing Activities	<u>(1,489,086)</u>	<u>(745,782)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from Line of Credit	401,000	-
Principal Payments on Line of Credit	(121,000)	(1,007,000)
Proceeds from Loan Financing	237,000	1,500,000
Principal Payments on Loan Financing	<u>(346,527)</u>	<u>(469,832)</u>
Net Cash Used in Financing Activities	<u>170,473</u>	<u>23,168</u>
Net Increase in Cash	(475,581)	131,892
Cash Beginning of Year	<u>628,964</u>	<u>497,072</u>
Cash End of Year	<u>\$ 153,383</u>	<u>\$ 628,964</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash Paid for Interest	<u>\$ 254,852</u>	<u>\$ 295,910</u>
<b>Noncash Investing and Financing Activity:</b>		
Lease Financing	\$ 70,113	\$ 31,469
Property Financing	3,165,000	-
	<u>\$ 3,235,113</u>	<u>\$ 31,469</u>

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

**JWCH INSTITUTE, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

**NOTE A - ORGANIZATION**

JWCH Institute, Inc. (JWCH) is a non-profit health agency that was established as an Attending Staff Association of the John Wesley County Hospital in 1960 by concerned Los Angeles County physicians. These staff physicians sought to establish an agency that could obtain additional funds to support and augment patient care, education, and research.

JWCH Institute's mission is to improve the health status and well-being of underserved segments of the population of the Los Angeles County through the direct provision or coordination of health care, health education services and research. The mission is being accomplished through a variety of programs and activities.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of JWCH conform to accounting principles generally accepted in the United States of America as applicable to voluntary health and welfare organizations. The significant accounting policies including those prescribed by the Department of Health and Human Services and the State of California Department of Health, which have been applied by JWCH in the preparation of the financial statements, are described below.

**1. Basis of Accounting**

The financial statements are prepared on the accrual basis of accounting.

**2. Cash and Cash Equivalents**

JWCH considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, unless held for reinvestment as part of the investment portfolio, pledged to secure loan agreements, or otherwise designated or restricted. The carrying amount approximates fair value because of the short maturity of these instruments.

**3. Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, JWCH analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. On a monthly basis, management reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, JWCH analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), JWCH records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

**JWCH INSTITUTE, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013  
(Continued)

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accounts receivable aging report is generated monthly and reviewed for any balances over 30 days. All outstanding balances over 30 days will be followed up immediately. Any account showing a balance over 180 days that has been investigated and cannot be collected will be selected to be written off. JWCH's Accounting Officer will review the balances to be written off and submit to Chief Financial Officer for approval.

**4. Property and Equipment**

Property and equipment are recorded at cost if purchased or, if contributed, at fair value at date of contribution. JWCH capitalizes all expenditures for property and equipment in excess of \$1,000 effective July 1, 2009 (\$500 before July 1, 2009); the fair value of contributed property, plant, and equipment is similarly capitalized. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets, which range from 5 to 25 years.

Property and equipment acquired with government grants, is considered to be owned by JWCH while used in the program for which it was purchased or in other future authorized programs; however, the grantor may have a reversionary interest in the property. Property and equipment acquired with government grants amounted to \$1,304,269 and \$678,431 during fiscal years 2014 and 2013, respectively.

JWCH reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair market value of the asset. During fiscal years 2014 and 2013, there were no events or changes in circumstances indicating that the carrying amount of the property and equipment may not be recoverable.

**5. Accrued Vacation and Sick Leave**

JWCH regular full time and regular part-time employees are eligible to accumulate vacation and sick leave during their employment. Only unused vacation time is allowed to be redeemed in cash upon termination of employment subject to certain limitations and is accrued and reported under payroll and related liabilities.

**JWCH INSTITUTE, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013  
(Continued)

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**6. Revenue Recognition**

Grants and Contracts

JWCH recognizes revenues when eligible costs are incurred for cost-reimbursement grants and contracts and when contracted services are performed for fee-for-service grants and contracts.

Program Service Income

Program service income consists of Medi-Cal, Medi-Medi, Medicare, PPP, Medi-Cal HMO, managed care contract capitation, and other patient revenues. JWCH recognizes program service income when services are performed. Program service income is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Program service receivable is reported net of both an allowance for contractual adjustments and an allowance for uncollectible accounts. The contractual allowance represents the difference between established billing rates and estimated reimbursement from Medi-Cal, Medi-Medi, Medicare, PPP and other third-party payment programs.

Charity Care

JWCH provides care to patients who are unable to pay for services, based on federal guidelines and/or JWCH's Sliding Fee Schedule Program, under its charity care policy without charge or at amounts less than its established rates. Because JWCH does not pursue collection of amounts determined to qualify as charity care, they are not included in program service income.

Donations

JWCH reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations limiting the use of the donated assets if the restrictions are not met in the period of receipt. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. If a stipulated time restriction ends or a purpose restriction is accomplished during the year the donation is received, the donation is recognized as unrestricted revenue.

Interest Income

Interest income is recognized as interest is earned on money deposited into savings and money market accounts.

**JWCH INSTITUTE, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013  
(Continued)

**NOTE B - SUMMARY OF ACCOUNTING POLICIES (Continued)**

Other Revenue

Revenue received that is not classified into a specific category is recorded as other revenue.

**7. In-kind Contributions**

Donated materials, property and equipment, and certain services are reflected as contributions at their estimated fair market values at the date of receipt and are recorded in the appropriate asset or expense account. Donated services are recorded if they (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donors.

**8. Net Assets**

JWCH classifies net assets into three categories:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by either actions of JWCH and/or the passage of time.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they must be maintained in perpetuity. Generally, the donors of these assets permit JWCH to use all or part of the income earned on the related investments for general or specific purposes.

**9. Income Taxes**

JWCH is a non-profit corporation organized under the laws of the State of California. JWCH is exempt from Federal income tax under Section 501(c) (3) of the Internal Revenue Service Code. Accordingly, no provisions for income taxes or related credits are included in the accompanying combined financial statements.

Form 990 filed by JWCH are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Form 990 filed by JWCH are no longer subject to examination for the years 2010 and prior.

**JWCH INSTITUTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014 and 2013  
(Continued)

**NOTE B - SUMMARY OF ACCOUNTING POLICIES (Continued)**

**10. Off-Balance Sheet Risk and Concentration of Credit Risk**

Financial instruments that potentially subject JWCH to concentrations of credit risk consist principally of cash accounts in financial institutions. At times during the years ended June 30, 2014 and 2013, balances on deposit in financial institutions exceeded Federal Deposit Insurance Corporation (FDIC) insured limits of \$250,000.

JWCH receives payment for services from Federal, state, and local agencies. Revenue and receivables from Federal, state, and local agencies are significant to JWCH's operations. However, management do not believe that there are any significant credit risk associated with these government agencies.

**11. Reclassifications**

Certain 2013 amounts have been reclassified to conform to the current year presentation.

**12. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 these estimates.

**13. Subsequent Events**

Subsequent events have been evaluated through March 30, 2015, which is the date the financial statements were available to be issued.

**14. Adoption of New Accounting Pronouncements**

Beginning July 1, 2012, JWCH adopted ASU 2011-07, "Health Care Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities (a consensus of the FASB Emerging Issues Task Force)" effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2011. ASU 2011-07 provides guidance on healthcare entities to change the presentation to their statements of operations by reclassifying the provision for bad debt associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, those health care entities are required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts. The amendments also require disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts.

**JWCH INSTITUTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014 and 2013  
(Continued)

**NOTE C – PROGRAM SERVICE INCOME**

A reconciliation of the amount of services provided to patients at established rates to net program service income as reflected in the financial statements for the year ended June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Gross Program Service Income	\$ 19,854,712	\$ 16,770,182
Less: Contractual Adjustments and Other Discounts	<u>(5,908,727)</u>	<u>(5,305,884)</u>
Net Program Service Income	<u>\$ 13,945,985</u>	<u>\$ 11,464,298</u>

**NOTE D – PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
<u>Non-depreciable Assets</u>		
Land	\$ 2,219,757	\$ 1,112,757
Construction in Progress	<u>1,072,238</u>	<u>708,490</u>
Total Non-depreciable Assets	3,291,995	1,821,247
<u>Depreciable Assets</u>		
Building	3,195,243	737,243
Building Improvement	1,645,360	1,052,279
Equipment & Furniture	<u>2,674,904</u>	<u>2,472,535</u>
Total Depreciable Assets	7,515,507	4,262,057
Less Accumulated Depreciation	<u>( 1,995,517)</u>	<u>(1,655,150)</u>
Total Depreciable Assets, Net	5,519,990	2,606,907
Total Property and Equipment, Net	<u>\$ 8,811,985</u>	<u>\$ 4,428,154</u>

**JWCH INSTITUTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014 and 2013  
(Continued)

**NOTE E – LONG TERM LOANS**

Long term loans at June 30, 2014 and 2013 consist of the following:

		<u>2014</u>	<u>2013</u>
Loan from California Health Facilities Financing Authority; collateralized by the Deed of Trust on property; original principal amount of \$750,000; due April 1, 2024	3%	\$ 528,698	\$ 574,245
Loan from Citibank; collateralized by assets; original principal amount of \$1,000,000; due June 29, 2017	5.5%	623,442	815,619
Loan from Eastside Development Company; secured by the Deed of Trust; original principal amount of \$3,165,000; due October 1, 2018	5.5%	3,125,646	-
Loan from ProAmerica, collateralized by the Deed of Trust on property; original principal amount of \$737,000; due December 31, 2023	5%	730,420	500,000
Capital lease from De Lage Landen Financial Services, Inc.; term of lease is 42 months	-	888	30,033
Loan from Kansas State Bank of Manhattan; collateralized by the equipment purchased; original principal amount of \$38,645; due August 15, 2016	9.64%	28,770	-
Software license lease financing from Bank of the West; original principal amount of \$62,973; due January 25, 2016	7.45%	<u>32,739</u>	<u>25,120</u>
Total Long Term Loans		5,070,603	1,945,017
Less Current Portion		<u>(357,046)</u>	<u>(284,256)</u>
Total Long Term Loans – Noncurrent Portion		<u>\$ 4,713,557</u>	<u>\$ 1,660,761</u>

A schedule of maturities for the next five years is as follows:

Year ending June 30	
2015	\$ 357,046
2016	360,595
2017	350,508
2018	140,254
2019	2,926,703
Thereafter	<u>935,497</u>
Total	<u>\$ 5,070,603</u>

**JWCH INSTITUTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014 and 2013  
(Continued)

**NOTE F – LINE OF CREDIT**

JWCH has obtained a revolving line of credit from a bank for \$1,500,000 to finance working capital requirements. The revolving line of credit bears interest at a rate per annum equal to the greater of the bank's prime rate or the Minimum Interest Rate plus in each case a margin of 1%. At June 30, 2014, the interest rate was 4.25%. The revolving line of credit is offered until cancellation by either JWCH or the bank. As of June 30, 2014 and 2013, \$1,273,000 and \$993,000, respectively, were drawn and outstanding under the line of credit.

**NOTE G – PENSION PLAN**

JWCH has a defined contribution pension plan covering all eligible employees. After one year of employment eligible employees who have worked 500 hours are enrolled and are 33% vested for their first year of participation. Thereafter they are 33% vested for each subsequent year until they are 100% vested at the third year of participation. JWCH contributes a safe harbor contribution of 3% and a matching contribution of up to 1% (total maximum 4%) of the eligible employee's annual compensation for fiscal years 2014 and 2013. JWCH's contributions amounted to \$379,916 and \$359,783 for fiscal years 2014 and 2013, respectively.

**NOTE H – LEASES**

JWCH leases certain facilities and equipment under various operating lease agreements, which expire through August 2017. JWCH incurred \$1,042,470 and \$1,070,133 in operating lease expenses in 2014 and 2013, respectively. Minimum commitments under the various operating lease agreements having an initial or remaining noncancelable term of more than one year are as follows:

Year ending June 30	
2015	\$ 526,188
2016	317,291
2017	207,350
2018	13,028
Total Minimum Rental Obligations	<u>\$ 1,063,857</u>

**JWCH INSTITUTE, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013  
(Continued)

**NOTE 1 – COMMITMENTS AND CONTINGENCIES**

Agreement with Downey Regional Medical Center

Effective November 1, 2011, JWCH entered into a Memorandum of Understanding (Agreement) with Downey Regional Medical Center (Hospital), an acute care hospital, whereby the Hospital will lease clinic space and provide residents for training and healthcare services at the clinic in Downey. The Agreement is for a ten years term and was amended on May 22, 2014. According to Amendment No. 1 to Memorandum of Understanding, the Hospital will continue to maintain and pay all lease payments for the premises for a period of two years from the clinic operations effective date of October 2014. Prior to the expiration of the initial two years of operations, the parties shall re-negotiate the lease obligations for the clinic. In the event that JWCH receives compensation, payment, or reimbursement for clinic operations which include, in whole or in part, compensation, payment or reimbursement for clinic lease payments, JWCH shall immediately report to Hospital the receipt of such reimbursement and within 30 days thereafter pay such reimbursement to Hospital until Hospital shall have received reimbursement for all clinic lease payments paid by Hospital pursuant to the Agreement.

Government Grants

Costs charged to the federal government under cost-reimbursement grants are subject to audit; therefore, all such costs are subject to adjustments. Management believes that JWCH has complied with the applicable grant terms and conditions and adjustments, if any, would not have a significant effect on the financial statements.

Medicare and Medicaid Program

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Litigations

JWCH is a defendant in a number of lawsuits incidental to its operations. These lawsuits against JWCH have been evaluated and upon consultation with the attorney, JWCH management believes that the ultimate resolution of such lawsuits would not have a material adverse impact on the financial statements.

**JWCH INSTITUTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014 and 2013  
(Continued)

**NOTE J – PATIENT PROTECTION AND AFFORDABLE CARE ACT**

As a result of recently enacted Patient Protection and Affordable Care Act (ACA), substantial changes are anticipated in the United States healthcare system. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement of healthcare providers and the legal obligations of health insurers, providers and employers. These provisions are scheduled to take effect over the next decade. JWCH's management will continue to evaluate the impact of ACA on its operation.

**NOTE K – WRITE-OFF OF OLD PROGRAM SERVICE RECEIVABLE**

During fiscal year 2013, JWCH management performed a detail analysis of the program service receivable. The analysis was based on JWCH's billing history and collection experience. As a result, program service receivable in the amount of \$1,031,142 outstanding from 2005 to 2011, was written off. The write-off amount is reported as a special item in the statements of activities.

**NOTE L – RESTATEMENT OF 2011 FINANCIAL STATEMENTS**

During fiscal year 2012, JWCH determined that the Medi-Cal Managed Care receivables were not properly accrued for in prior periods. As a result, fiscal year 2011 program service income and corresponding receivables and beginning unrestricted net assets were overstated by \$169,996, \$682,784, and \$512,788, respectively. JWCH restated its statement of financial position as of June 30, 2011 and statement of activities and cash flows for the year ended June 30, 2011. The impact of the over accrual was a reduction in change in net assets of \$169,996 for the year ended June 30, 2011.

**NOTE M – SUBSEQUENT EVENTS**

On September 18, 2014, JWCH purchased the building located on 500 S. San Pedro, next to the Center for Community Health, in the price of \$1,500,000. To finance the property, JWCH entered a loan agreement with ProAmerica Bank for the principal sum of \$1,350,000, with a maturity date of September 15, 2021 and interest rate of 6% per annum.

***SUPPLEMENTARY INFORMATION***

**JWCH INSTITUTE, INC.**

**SCHEDULE OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2014

(With summarized financial information for the year ended June 30, 2013)

	2014											
	Program Services											
	AIDS Prevention & Education	Family Planning	Information & Education	HIV Case Management	Recuperative Care	Substance Abuse Treatment	JWCH Weingart Clinic	JWCH Bell Gardens Clinic	JWCH Norwalk Clinic	JWCH Lynwood Primary Care Clinic	JWCH P.A.T.H. Clinic	JWCH Other Clinic
Personal	\$ 1,367,337	\$ 641,997	\$ 196,143	\$ 133,143	\$ 880,150	\$ 356,271	\$ 2,665,491	\$ 1,216,802	\$ 796,991	\$ 962,167	\$ 260,188	\$ 1,558,377
Fringe Benefits	335,768	163,964	50,878	29,515	191,501	131,306	641,524	252,406	191,545	240,259	66,630	341,893
<b>Total Personal and Fringe Benefits</b>	<b>1,703,105</b>	<b>805,961</b>	<b>247,021</b>	<b>162,658</b>	<b>1,071,651</b>	<b>487,577</b>	<b>3,307,015</b>	<b>1,469,208</b>	<b>988,536</b>	<b>1,202,426</b>	<b>326,818</b>	<b>1,900,270</b>
<b>Other Operating Expenses:</b>												
Professional Services	167,627	18,576	327,024	15,086	120,404	98,310	1,422,478	115,177	139,172	102,126	15,141	162,476
Medical and Laboratory	121,560	63,920	-	2,434	29,902	19,708	594,343	189,930	179,485	136,003	53,135	213,367
Patient Welfare	44,137	5,304	-	-	81,512	43,237	33,994	730	-	260	-	5,024
Leases	24,563	18,792	-	-	496,171	24,914	56,490	9,153	8,666	9,392	7,496	175,426
Rentals	16,624	4,278	1,065	12	391	295	59,997	2,326	6,081	1,944	2,752	707
Insurance	3,423	2,589	-	-	648	-	20,912	9,373	7,420	5,092	3,755	10,943
Utilities	11,547	16,283	2,771	1,747	10,703	53,092	35,795	26,163	29,469	9,771	766	49,543
Repair and Maintenance	4,560	4,177	-	-	1,369	689	46,219	17,438	19,160	11,370	6,634	22,843
Office Supplies	30,585	14,301	9,752	1,381	3,764	15,995	30,967	19,955	13,409	7,244	5,483	22,125
Equipment (Under \$1,000)	1,937	960	1,812	-	-	-	8,077	4,514	657	1,294	512	2,547
Travel/Mileage	44,127	2,983	12,863	186	870	5,754	13,821	3,533	2,139	452	1,701	2,318
Training	11,902	-	3,231	-	50	-	10	-	-	42	250	1,140
Fees	1,904	2,012	-	-	976	6,280	16,145	4,941	3,876	3,735	1,745	5,078
Other Costs	27,856	383	4,515	-	246	158	31,211	25,562	29,049	20,534	1,750	16,210
<b>Total Other Operating Expenses</b>	<b>512,352</b>	<b>154,558</b>	<b>363,033</b>	<b>20,846</b>	<b>747,006</b>	<b>268,432</b>	<b>2,370,459</b>	<b>428,795</b>	<b>438,583</b>	<b>309,259</b>	<b>101,120</b>	<b>689,747</b>
<b>Total Operating Expenses Before Indirect Costs and Depreciation</b>	<b>2,215,457</b>	<b>960,519</b>	<b>610,054</b>	<b>183,504</b>	<b>1,818,657</b>	<b>756,009</b>	<b>5,677,474</b>	<b>1,898,003</b>	<b>1,427,119</b>	<b>1,511,685</b>	<b>427,938</b>	<b>2,590,017</b>
Indirect Costs	245,985	149,824	24,541	6,877	154,785	91,640	461,649	270,291	174,221	184,439	56,612	331,822
<b>Total Expenses Before Depreciation Depreciation</b>	<b>2,461,442</b>	<b>1,110,343</b>	<b>634,595</b>	<b>190,381</b>	<b>1,973,442</b>	<b>847,649</b>	<b>6,139,123</b>	<b>2,168,294</b>	<b>1,601,340</b>	<b>1,696,124</b>	<b>484,550</b>	<b>2,921,839</b>
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>\$ 2,461,442</b>	<b>\$ 1,110,343</b>	<b>\$ 634,595</b>	<b>\$ 190,381</b>	<b>\$ 1,973,442</b>	<b>\$ 847,649</b>	<b>\$ 6,139,123</b>	<b>\$ 2,168,294</b>	<b>\$ 1,601,340</b>	<b>\$ 1,696,124</b>	<b>\$ 484,550</b>	<b>\$ 2,921,839</b>

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

**JWCH INSTITUTE, INC.**

**SCHEDULE OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2014

(With summarized financial information for the year ended June 30, 2013)

	2014								2013	
	Program Services				Supporting Services				Total Expenses	Total Expenses
	SHIP-CDC	BPHC-Health Center Cluster	Other Programs Services	Total	General and Administrative	Other Supporting Services	Fund-raising	Total		
Personal	\$ 173,361	\$ 1,883,912	\$ 203,389	\$13,295,719	\$ 1,237,066	\$ 113,613	\$ -	\$ 1,350,679	\$14,646,398	\$ 14,096,874
Fringe Benefits	48,967	344,051	49,896	3,080,103	283,104	27,348	-	310,452	3,390,555	3,239,572
<b>Total Personal and Fringe Benefits</b>	<b>222,328</b>	<b>2,227,963</b>	<b>253,285</b>	<b>16,375,822</b>	<b>1,520,170</b>	<b>140,961</b>	<b>-</b>	<b>1,661,131</b>	<b>18,036,953</b>	<b>17,336,446</b>
Other Operating Expenses:										
Professional Services	-	65,678	70,752	2,840,027	509,301	89,501	80,877	679,679	3,519,706	2,637,980
Medical and Laboratory	4,740	-	-	1,608,527	973	-	-	973	1,609,500	1,343,323
Patient Welfare	7,697	-	100,406	322,301	-	600	-	600	322,901	344,877
Leases	10,277	-	119,760	961,100	81,370	-	-	81,370	1,042,470	1,070,132
Rentals	1,696	-	42,958	141,126	8,920	2,107	-	11,027	152,153	127,917
Insurance	-	-	-	64,155	166,737	5,188	-	171,925	236,080	225,251
Utilities	5,521	-	793	253,964	98,767	1,395	-	100,162	354,126	301,262
Repair and Maintenance	-	1,770	-	136,229	10,385	6,267	-	16,652	152,881	221,592
Office Supplies	5,029	-	6,223	186,213	60,840	1,681	473	62,994	249,207	298,849
Equipment (Under \$1,000)	478	9,285	95	32,168	12,188	894	-	13,082	45,250	24,999
Travel/Mileage	6,603	356	41	97,747	10,418	13,701	-	24,119	121,866	129,568
Training	795	-	50	17,470	12,703	-	-	12,703	30,173	51,999
Fees	-	-	-	46,692	40,611	644	-	41,255	87,947	121,930
Other Costs	4,853	-	1,500	163,827	291,623	-	1,690	293,313	457,140	311,045
<b>Total Other Operating Expenses</b>	<b>47,689</b>	<b>77,089</b>	<b>342,578</b>	<b>6,871,546</b>	<b>1,304,836</b>	<b>121,978</b>	<b>83,040</b>	<b>1,509,854</b>	<b>8,381,400</b>	<b>7,210,724</b>
<b>Total Operating Expenses Before Indirect Costs and Depreciation</b>	<b>270,017</b>	<b>2,305,052</b>	<b>595,863</b>	<b>23,247,368</b>	<b>2,825,006</b>	<b>262,939</b>	<b>83,040</b>	<b>3,170,985</b>	<b>26,418,353</b>	<b>24,547,170</b>
Indirect Costs	38,659	394,867	23,846	2,610,058	(2,628,463)	18,405	-	(2,610,058)	-	-
<b>Total Expenses Before Depreciation</b>	<b>308,676</b>	<b>2,699,919</b>	<b>619,709</b>	<b>25,857,426</b>	<b>196,543</b>	<b>281,344</b>	<b>83,040</b>	<b>560,927</b>	<b>26,418,353</b>	<b>24,547,170</b>
Depreciation	-	-	-	-	340,368	-	-	340,368	340,368	331,924
<b>Total Expenses</b>	<b>\$ 308,676</b>	<b>\$ 2,699,919</b>	<b>\$ 619,709</b>	<b>\$25,857,426</b>	<b>\$ 536,911</b>	<b>\$ 281,344</b>	<b>\$ 83,040</b>	<b>\$ 901,295</b>	<b>\$26,758,721</b>	<b>\$ 24,879,094</b>

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

***SUPPLEMENTARY INFORMATION SECTION  
REQUIRED BY GOVERNMENT AUDITING STANDARDS AND  
OMB CIRCULAR A-133***

**JWCH INSTITUTE, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2014

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Grant Number</b>	<b>Grant Term</b>	<b>Grant Award Amount</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>					
<i>Direct Program:</i>					
Health Care and Supportive Services Intervention Team	14.267	CA0389L9D001205	07/01/13 - 06/30/14	\$ 314,885	\$ 281,345
<i>Passed through Los Angeles Homeless Services Authority:</i>					
Recuperative Care Transitional Housing	14.267	CA0504L9D001306	05/01/14 - 04/30/15	581,749	97,747
Recuperative Care Transitional Housing	14.267	CA0504L9D001205	05/01/13 - 04/30/14	581,749	478,852
Subtotal				<u>1,163,498</u>	<u>576,599</u>
<i>Passed through City of Los Angeles Housing and Community Investment Department:</i>					
Housing Opportunities for Persons with AIDS	14.241	C-120288-3	04/01/14 - 03/31/15	376,725	87,340
Housing Opportunities for Persons with AIDS	14.241	C-120288-3	10/1/11 - 03/31/14	690,811	264,059
Subtotal				<u>1,067,536</u>	<u>351,399</u>
<b>Total U.S. Department of Housing and Urban Development</b>				<u>2,545,919</u>	<u>1,209,343</u>
<b><u>U.S. Department of Health and Human Services - Public Health Service Act</u></b>					
Health Centers Cluster					
<i>Direct Programs:</i>					
Health Centers Cluster	93.527	H80CS06673	09/1/12 - 09/30/13	55,000	35,887
Health Centers Cluster	93.527	H80CS06673	07/01/13 - 06/30/14	307,245	307,245
				<u>362,245</u>	<u>343,132</u>
Health Centers Cluster	93.224	H80CS06673	01/01/06 - 12/31/14	14,948,686	2,385,731
<i>Passed through Northeast Valley Health Corporation:</i>					
Health Centers Cluster - Health Care for the Homeless	93.224	H80CS00139	12/01/12 - 11/30/13	240,765	95,560
Health Centers Cluster - Health Care for the Homeless	93.224	H80CS00139	12/01/13 - 11/30/14	240,765	128,328
Subtotal				<u>481,530</u>	<u>223,888</u>
Total Health Centers Cluster				<u>15,792,461</u>	<u>2,952,751</u>
<i>Direct Programs:</i>					
HIV/AIDS Substance Abuse Services	93.243	1H79TI024439	09/30/12 - 09/29/17	2,499,789	482,269
HIV/Substance Abuse Capacity Building Initiative	93.243	1U79SP018145	09/30/10 - 09/29/15	1,500,000	324,068
Residential Substance Abuse Treatment Program	93.243	1H79TI023764	09/30/11 - 09/29/14	1,571,479	407,107
Healthy Media Project	93.243	1U79SP020240	09/30/13 - 09/29/14	116,000	32,679
Special Projects of National Significance	93.928	H97HA15145	09/01/09 - 08/31/14	1,999,157	398,703
HIV Prevention Projects for CBO	93.943	5U65PS002452	07/01/10 - 06/30/15	1,684,740	308,675
Subtotal				<u>9,371,165</u>	<u>1,953,501</u>

**JWCH INSTITUTE, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2014

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Grant Number</b>	<b>Grant Term</b>	<b>Grant Award Amount</b>	<b>Federal Expenditures</b>
<i>Passed through County of Los Angeles Department of Health Services:</i>					
Family Planning Services	93.217	H-704670	01/01/13 - 12/31/13	238,342	124,489
<i>Passed through California Family Health Council, Inc.:</i>					
Family Planning Services	93.217	2850-5320-71209-13	01/01/13 - 12/31/13	107,270	48,522
Family Planning Services	93.217	2850-5320-71209-14	01/01/14 - 12/31/14	107,270	55,438
Subtotal				214,540	103,960
<i>Passed through County of Los Angeles Office of AIDS Programs and Policy:</i>					
HIV Prevention Programs	93.940	PH 000829	01/01/12 - 12/31/14	900,000	261,609
HIV/AIDS Counseling and Testing Prevention Services	93.940	PH 000813	01/01/12 - 12/31/14	387,504	89,146
Subtotal				1,287,504	350,755
<i>Passed through County of Los Angeles Department of Public Health:</i>					
Block Grants for Prevention and Treatment of Substance Abuse (SAPT)	93.959	PH-002302	07/1/13 - 6/30/14	151,439	169,931
Block Grants for Prevention and Treatment of Substance Abuse (CCD)	93.558	PH-002302	07/1/13 - 6/30/14	32,977	55,919
Subtotal				184,416	225,850
<b><u>U.S. Department of Health and Human Services - Social Security Act</u></b>					
<i>Passed through California Department of Public Health:</i>					
Teen Pregnancy Prevention Program (TPP)	93.778	11-10286	07/01/13 - 06/30/14	95,469	95,326
<b><u>U.S. Department of Health and Human Services - Patient Protection and Affordable Care Act</u></b>					
<i>Direct Programs:</i>					
Capital Development	93.526	C8ACS23728	05/01/12 - 04/30/15	2,738,824	968,102
Capital Development	93.526	C8BCS24010	05/01/12 - 04/30/15	498,905	-
Affordable Care Act (ACA) Grants for School-Based Health Centers Capital Program	93.501	C12CS25598	12/1/12 - 11/30/14	486,720	35,731
Subtotal				3,724,449	1,003,833
<i>Passed through California Health Benefit Exchange:</i>					
Covered California - Outreach & Enrollment	93.525	12-E9114	07/01/13 - 12/31/14	1,000,000	539,268

**JWCH INSTITUTE, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2014

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Grant Number</b>	<b>Grant Term</b>	<b>Grant Award Amount</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Health and Human Services - Ryan White HIV/AIDS Treatment Modernization Act</b>					
<i>Passed through County of Los Angeles Office of AIDS Programs and Policy:</i>					
HIV Case Management, Psychosocial - Transitional Case Management Services	93.917	H-300114	04/01/12 - 03/31/14	178,926	62,772
HIV Case Management, Psychosocial - Transitional Case Management Services	93.917	H-300114	04/01/14 - 03/31/15	89,463	19,486
HIV/AIDS Ambulatory/Outpatient Medical Services	93.914	PH-002338	11/20/12 - 02/28/15	224,592	65,813
HIV/AIDS Medical Care Coordination Services	93.914	PH-002341	11/20/12 - 02/28/15	136,500	42,310
HIV/AIDS Oral Health Care (Dental) Services	93.914	PH-002156	05/01/12 - 02/28/14	624,512	208,691
HIV/AIDS Oral Health Care (Dental) Services	93.914	PH-002156	03/01/14 - 02/28/15	312,256	79,571
HIV/AIDS Ryan White Part C Outpatient EIS Program	93.918	H76HA24733	07/01/13 - 04/30/14	237,500	222,130
HIV/AIDS Ryan White Part C Outpatient EIS Program	93.918	H76HA24733	05/01/14 - 04/30/15	285,000	28,672
Subtotal				<u>2,088,749</u>	<u>729,445</u>
<b>Total U.S. Department of Health and Human Services</b>				<u>33,997,095</u>	<u>8,079,178</u>
<b>TOTAL FEDERAL AWARDS</b>				<u>\$ 36,543,014</u>	<u>\$ 9,288,521</u>

**JWCH INSTITUTE, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2014

**1. General**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all Federal programs of JWCH Institute, Inc. (JWCH). The JWCH reporting entity is defined in Note 1 of the Notes to Financial Statements of JWCH as of and for the year ended June 30, 2014. All Federal awards, including Federal awards passed through intermediate governmental and nonprofit agencies to JWCH, are included in the accompanying Schedule.

**2. Basis of Accounting**

The accompanying Schedule is presented using the accrual basis of accounting, which is described in Note 2 of the Notes to Financial Statements of JWCH as of and for the year ended June 30, 2014.

**3. Relationship to Federal Financial Reports**

Expenditures reported in the accompanying Schedule agree with the expenditures reported in the related Federal Financial Reports in all material respects.

**4. Payments to Subrecipients**

During fiscal year 2014, JWCH's payments to subrecipients are as follow:

Health Care and Supportive Services Intervention Team Program (CFDA No. 14.267)	\$ 104,072
HIV/AIDS Substance Abuse Services Program (CFDA No. 93.243)	100,000
HIV/AIDS Substance Capacity Building Initiative Program (CFDA No. 93.243)	43,580
Residential Substance Abuse Treatment Program (CFDA No. 93.243)	66,624
ABC Unified School District (CFDA No. 93.525)	119,837
Helpline Youth Counseling, Inc. (CFDA No. 93.525)	79,879
Total Payments to Subrecipients	<u>\$ 513,992</u>

**5. Change in CFDA Numbers**

Expenditures for grant numbers CA0389L9D001205, CA0504L9D001306, and CA0504L9D001205 were reported under CFDA number 14.235 in prior year. Current year expenditures for this grant are reported under CFDA number 14.267.



SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

***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  
JWCH Institute, 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 JWCH Institute, Inc. (JWCH), 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 30, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered JWCH'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 JWCH's internal control. Accordingly, we do not express an opinion on the effectiveness of JWCH'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 JWCH's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read 'Simpson &amp; Simpson', written in a cursive style.

March 30, 2015  
Los Angeles, California



SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

***REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND  
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY OMB CIRCULAR A-133***

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
JWCH Institute, Inc.

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

We have audited the compliance of JWCH Institute, Inc. (JWCH) 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 JWCH's major federal programs for the year ended June 30, 2014. JWCH's major federal programs are identified in the summary of the 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 JWCH'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 JWCH'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 JWCH's compliance.





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

In our opinion, JWCH 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.

### ***Other Matters***

The results of our auditing procedures disclosed three instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in Section III in the accompanying schedule of findings and questioned costs as Findings 2014-001, 2014-002, 2014-003, 2014-004, and 2014-005. Our opinion on each major federal program is not modified with respect to these matters.

JWCH's response to the noncompliance findings identified in our audit are described in the accompany schedule of findings and questioned costs and corrective action plan. JWCH's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of JWCH is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered JWCH's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 JWCH'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.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of JWCH as of and for the year ended June 30, 2014, and have issued our report thereon dated March 30, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Simpson &amp; Simpson".

March 30, 2015  
Los Angeles, California

**JWCH INSTITUTE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2014

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

*Financial Statements*

- |   |            |
|---|------------|
| 1. Type of auditor’s report issued:   | Unmodified |
| 2. Internal control over financial reporting:   |            |
| • Material weakness(es) identified?   | None       |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | None       |
| 3. Noncompliance material to financial statements noted?                                      | None       |

*Federal Awards*

- |   |  |
|---|--|
| 4. Internal control over major programs:  |  |
| • Material weakness(es) identified?   | None   |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)?                         | None   |
| 5. Type of auditor’s report issued on compliance for major programs:  | Unmodified   |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes, Findings 2014-001, 2014-002, 2014-003, 2014-004, and 2014-005 |
| 7. Major programs are identified as follows:  |  |

CFDA No.	Program Title	Amount
14.267	Continuum of Care Program	\$ 857,944
14.241	Housing Opportunities for Persons with AIDS	351,399
93.243	Substance Abuse and Mental Health	1,246,123
93.525	State Planning and Establishment Grants for Affordable Care Act Exchange	539,268
	<b>TOTAL</b>	<b>\$ 2,994,734</b>

- |   |           |
|---|-----------|
| 8. Dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| 9. JWCH qualified as a low-risk auditee?                                    | Yes       |

**JWCH INSTITUTE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2014  
(Continued)

**SECTION II – FINDINGS AND QUESTIONED COSTS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

None

**SECTION III – FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS**

Finding 2014-001 – Noncompliance with Reporting Requirement (Noncompliance)

Federal Grantor:	Department of Housing and Urban Development
Pass-through Grantor:	N/A – Direct Award
Grant Award Number:	CA0389L9D001205
Program:	Health Care and Supportive Services Intervention Team
CFDA No.:	14.267

Criteria

According to 24 CFR section 583.300 (g), HUD-40118, *Annual Progress Report (OMB No. 2506-0145)* is due from each grantee 90 days after the end of each operating year. Separate reports are required for each grant received.

Condition

JWCH obtained an extension for the submission of the Annual Progress Report to November 15, 2014. Since November 15, 2014 was a Saturday, the extended due date would have been November 17, 2014. We noted that JWCH submitted the Annual Progress Report on November 19, 2014.

Questioned Costs

\$0

**JWCH INSTITUTE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2014  
(Continued)

Finding 2014-001 – Noncompliance with Reporting Requirement (Noncompliance)  
(Continued)

Cause and Effect

According to JWCH's Program Director, the above condition is a result of staff oversight. JWCH is not in compliance with the reporting requirement.

Recommendation

We recommend that JWCH establish internal controls to ensure timely submission of the Annual Progress Report.

Views of Responsible Officials and Corrective Action Plan

JWCH agrees with the auditor's finding and will establish internal controls to ensure timely submission of the Annual Progress Report.

**JWCH INSTITUTE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2014  
(Continued)

Finding 2014-002 – Noncompliance with Reporting (Noncompliance)

Federal Grantor:	Department of Housing and Urban Development
Pass-through Grantor:	Los Angeles Homeless Services Authority
Grant Award Number:	CA0504L9D001205
Program:	Health Care and Supportive Services Intervention Team
CFDA No.:	14.267

Criteria

According to 24 CFR section 583.300 (g), HUD-40118, *Annual Progress Report (OMB No. 2506-0145)* is due from each grantee 90 days after the end of each operating year. Separate reports are required for each grant received.

Condition

We were not provided with documentation to verify the date of submission. As a result, we were unable to determine whether JWCH submitted the Annual Progress Report timely.

Questioned Costs

\$0

Cause and Effect

According to JWCH's Program Director, the above conditions is a result of staff oversight. JWCH is not in compliance with the reporting requirement.

Recommendation

We recommend that JWCH establish internal controls to ensure timely submission of the Annual Progress Report.

Views of Responsible Officials and Corrective Action Plan

JWCH agrees with the auditor's finding and will establish internal controls to ensure timely submission of the Annual Progress Report.

**JWCH INSTITUTE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2014  
(Continued)

Finding 2014-003 – Noncompliance with Reporting (Noncompliance)

Federal Grantor:	Department of Housing and Urban Development
Pass-through Grantor:	City of Los Angeles Housing and Community Investment Department
Grant Award Number:	C-120288-3
Program:	Housing Opportunities for Persons with AIDS
CFDA No.:	14.241

Criteria

According to the contract agreement with the City of Los Angeles Housing and Community Investment Department (City), JWCH is required to submit housing demographic information online by the 20<sup>th</sup> calendar day of each month.

Condition

We noted that JWCH was late in submitting six (6) monthly reports to the City.

Questioned Costs

\$0

Cause and Effect

According to JWCH's Program Director, the above condition is a result of staff transition and the staff has to learn the online reporting system. JWCH is not in compliance with the reporting requirement.

Recommendation

We recommend that JWCH cross train staff to use the online reporting system for submitting housing demographic information.

Views of Responsible Officials and Corrective Action Plan

JWCH agrees with the auditor's finding and will cross train staff to use the online reporting system for submitting housing demographic information.

**JWCH INSTITUTE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2014  
(Continued)

Finding 2014-004 – Noncompliance with Eligibility (Noncompliance)

Federal Grantor:	Department of Housing and Urban Development
Pass-through Grantor:	City of Los Angeles Housing and Community Investment Department
Grant Award Number:	C-120288-3
Program:	Housing Opportunities for Persons with AIDS
CFDA No.:	14.241

Criteria

According to the contract agreement with the City of Los Angeles Housing and Community Investment Department, the Contractor's intake process shall include verification and collection of supportive documents for the client's HIV/AIDS diagnosis and income eligibility.

Condition

We noted that the Client Fee Determination Statement Form was not in participant case file for one out of ten samples selected for testing.

Questioned Costs

\$0

Cause and Effect

According to the Case Manager, the above condition is a result of staff oversight. JWCH is not in compliance with the eligibility requirement.

Recommendation

We recommend that JWCH establish internal controls to ensure that the Client Fee Determination Statement Form be maintained in the participant case file.

Views of Responsible Officials and Corrective Action Plan

JWCH agrees with the auditor's finding and will establish internal controls to ensure that the required forms and documents be maintained in the participant case file.

**JWCH INSTITUTE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2014  
(Continued)

Finding 2014-005 – Noncompliance with Special Tests and Provisions (Noncompliance)

Federal Grantor: Department of Health and Human Services  
Pass-through Grantor: N/A – Direct Award  
Grant Award Number: 1H79TI023764-01  
Program: HIV/AIDS Substance Abuse Services  
CFDA No.: 93.243

Criteria

According to contract agreement, the following forms and documents should be included in the participant case file:

- Treatment Screening Entry and/or Referral Form
- Screening Questionnaire Form
- Admission Agreement
- Drug Screening Log
- Discharge Summary
- Government Performance and Result Act (GPRA) Participation Agreement
- Treatment Plan

Condition

During our testing of the participant case file, we noted the following exceptions:

- Treatment Screening Entry Form was missing for three out of 10 samples;
- Admission Agreement was missing for one out of 10 samples;
- Drug Screening Log was missing for three out 10 samples;
- Drug Screening Log was not updated for five out of 10 samples;
- Discharge Summary was missing for five out of 10 samples;
- Discharge Summary was not completed for one out of 10 samples;
- GPRA Participation Agreement was missing for one out of 10 samples;
- GPRA Participation Agreement was not signed and dated for one out of 10 samples;
- Treatment Plan was missing for two out of 10 samples; and
- Chart number in the Substance Abuse Mental Health Services Administration (SAMHSA) database did not match the chart number in the participant case file for nine out of 10 samples.

Questioned Costs

\$0

**JWCH INSTITUTE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2014  
(Continued)

Finding 2014-005 – Noncompliance with Special Tests and Provisions (Noncompliance) (Continued)

Cause and Effect

According to JWCH's Program Director, the above condition is a result of staff oversight. JWCH is not in compliance with the case file maintenance requirement.

Recommendation

We recommend that JWCH establish internal controls to ensure that the required forms and document be maintained in the participant case file.

Views of Responsible Officials and Corrective Action Plan

JWCH agrees with the auditor's finding and will establish internal controls to ensure that the required forms and document be maintained in the participant case file.

**JWCH INSTITUTE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2014  
(Continued)

**SECTION IV – STATUS OF PRIOR YEAR FINDINGS**

Finding 2011-FS-2 Improve Accounting and Financial Reporting Process (Significant Deficiency)

Criteria

Management is responsible for 1) maintaining accurate financial information with proper account and functional activity classification and 2) timely preparing financial statements in conformity with generally accepted accounting principles.

Condition

JWCH's accounting department was finalizing the accounting entries while the audit was in progress. The final trial balance for the balance sheet accounts was not provided to the external auditors until March 30, 2012. JWCH acquired Mini Twelve effective May 1, 2011. The fair value of the assets and liabilities transferred as of April 30, 2011 and the resulting excess of net assets acquired have to be recorded in JWCH's accounting records as of June 30, 2011. The fair value of the assets and liabilities transferred are based on the Mini Twelve's audited financial statements as of April 30, 2011 and an independent valuation of the land, building, and improvements transferred. Mini Twelve's audited financial statements were not available to JWCH until the second week of March 2012 and the independent valuation was performed the last week of March 2012.

This is a repeat finding from the prior year.

Cause

The above condition is due to the delay in receiving Mini Twelve's audited financial statements as of April 30, 2011 and insufficient resources in accounting department to analyze the accounting entries related to the acquisition.

Effect

The condition above resulted in delays in the audit process and increase in audit hours required to test the assets and liabilities transferred and the related note disclosures.

Recommendation

We recommend that JWCH allocates sufficient resources to assist the chief financial officer in performing accounting and financial reporting functions.

Views of Responsible Officials and Corrective Action Plan

We are in agreement with the auditor's finding. We have increased resources in the accounting department by hiring a Financial Analyst and an Accountant. We have brought over two accountant staff from Mini Twelve Step House as a result of the acquisition. We have allocated additional resources to hire a Controller to accommodate the program expansion within the next four months.

**JWCH INSTITUTE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2014  
(Continued)

Finding 2011-FS-2 Improve Accounting and Financial Reporting Process (Significant Deficiency)  
(Continued)

Current Year Status

The recommendation has been fully implemented.

**JWCH INSTITUTE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2014  
(Continued)

Finding 2013-1 – Noncompliance with Procurement and Suspension and Debarment Requirement (Noncompliance)

Federal Grantor:	Department of Health and Human Services
Pass-through Grantor:	N/A – Direct Award
Grant Award Number:	C8ACS23728 and C8BCS24010
Program:	Patient Protection and Affordable Care Act - Capital Development
CFDA No.:	93.526

Criteria

According to OMB Circular A-110, Subpart C – Post-Award Requirement,

\_\_\_\_.45 Cost and price analysis. Some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability.

\_\_\_\_.46 Procurement records. Procurement records and files for purchases in excess of the small purchase threshold shall include the following at a minimum: (a) basis for contractor selection, (b) justification for lack of competition when competitive bids or offers are not obtained, and (c) basis for award cost or price.

Condition

During fiscal year 2013, JWCH solicited multiple bids for the renovation of three existing clinics. According to JWCH’s management, the cost and price analysis were performed by the Facilities Manager, and were reviewed and approved by the Chief Executive Officer. However, the written cost and price analysis were not available for our review.

Questioned Costs

\$0

**JWCH INSTITUTE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2013  
(Continued)

Finding 2013-1 – Noncompliance with Procurement and Suspension and Debarment Requirement (Noncompliance) (Continued)

Cause and Effect

According to JWCH's management, the above condition is due to missing documents as a result of the corporate office move in November 2013. JWCH is not in compliance with procurement and suspension and debarment requirement.

Recommendation

JWCH should ensure that the cost and price analysis and basis for contractor selection be documented in the procurement files in connection with every procurement action. Also, we recommend that JWCH include in its written procurement policy that the cost or price analysis and basis for contractor selection be documented in the procurement files.

Views of Responsible Officials and Corrective Action Plan

JWCH agrees with the auditor's finding and will ensure that cost and price analysis and basis for contractor selection are documented in the procurement files in connection with every procurement action. We will also update our procurement policy to include in the policy that the cost or price analysis and basis for contractor selection be documented in the procurement file.

Current Year Status

The recommendation has been implemented.

**JWCH INSTITUTE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2013  
(Continued)

Finding 2013-2 – Noncompliance with Special Reporting (Noncompliance)

Federal Grantor:	Department of Health and Human Services
Pass-through Grantor:	N/A – Direct Award
Grant Award Number:	H80CS06673
Program:	Health Center Cluster
CFDA No.:	93.224 and 93.527

Criteria

According to the program specific terms no. 6 of the Notice of Award with U.S. Department Health and Human Services - Health Resources and Services Administration (HRSA), Uniform Data System (UDS) report is due no later than February 14, 2014.

Condition

JWCH did not submit the UDS report to HRSA by the due date, the report was submitted on February 19, 2014.

Questioned Costs

\$0

Cause and Effect

According to JWCH's Program Director, the above conditions is a result of staff oversight. JWCH is not in compliance with the reporting requirement.

Recommendation

We recommend that JWCH establish internal controls to ensure timely submission of the UDS report.

Views of Responsible Officials and Corrective Action Plan

JWCH agrees with the auditor's finding and will establish internal controls to ensure timely submission of the UDS report.

Current Year Status

The recommendation has been implemented.

**JWCH INSTITUTE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2013  
(Continued)

Finding 2013-3 – Noncompliance with Performance Reporting (Noncompliance)

Federal Grantor:	Department of Health and Human Services
Pass-through Grantor:	County of Los Angeles Office of Aids Programs and Policy
Grant Award Number:	PH000813
Program:	HIV/AIDS Counseling and Testing Prevention Services
CFDA No.:	93.940

Criteria

According to the contract agreement with the County of Los Angeles, monthly performance report is due no later than 30 days after the end of each calendar month.

Condition

We noted that JWCH was late in submitting seven (7) monthly reports to the County.

Questioned Costs

\$0

Cause and Effect

According to JWCH's Program Director, the above conditions is a result of staff oversight. JWCH is not in compliance with the reporting requirement.

Recommendation

We recommend that JWCH establish internal controls to ensure timely submission of the performance report.

Views of Responsible Officials and Corrective Action Plan

JWCH agrees with the auditor's finding and will establish internal controls to ensure timely submission of the performance report.

Current Year Status

The recommendation has been implemented.