NEIGHBORHOOD MEDICAL CENTER, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NEIGHBORHOOD MEDICAL CENTER, INC.
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James Moore
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Neighborhood Medical Center, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Neighborhood Medical Center, Inc. as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386-257-4100

133 East Indiana Avenue
DeLand, FL 32724-4329
Telephone: 386-738-3300

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352-378-1331

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850-386-6184

Website: www.jmco.com | Email: info@jmco.com | Member of AGN International with offices in principal cities worldwide

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood Medical Center, Inc. as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) 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 January 20, 2021 on our consideration of Neighborhood Medical Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Neighborhood Medical Center, Inc.'s internal control over financial reporting and compliance.

James Moore & Co., P.L.

Tallahassee, Florida
January 20, 2021

NEIGHBORHOOD MEDICAL CENTER, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2019

ASSETS

Current assets	
Cash and cash equivalents	$ 1,362,619
Grant and contract receivables	277,167
Patient accounts receivable, net of allowances of $1,002,232	173,959
Prepaid expenses	36,970
Total current assets	1,850,715
Property and equipment, net	1,385,431
Total Assets	$ 3,236,146

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	$ 375,321
Deferred revenue	209,000
Notes payable	727,036
Total current liabilities	1,311,357
Total liabilities	1,311,357
Net assets	
Without donor restrictions	
Undesignated	1,266,394
Invested in property and equipment	658,395
Total net assets	1,924,789
Total Liabilities and Net Assets	$ 3,236,146

The accompanying notes to financial statements
are an integral part of this statement.

NEIGHBORHOOD MEDICAL CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Charges for services, net	$ 3,154,406	$ -	$ 3,154,406
Grants and contracts	5,207,241	-	5,207,241
Contributions	410,459	-	410,459
In-kind	71,269	-	71,269
Pharmacy	475,494	-	475,494
Interest	12,127	-	12,127
Net assets released from restrictions	20,500	(20,500)	-
Total support and revenues	9,351,496	(20,500)	9,330,996
Expenses			
Program services	9,442,250	-	9,442,250
Administrative services	432,639	-	432,639
Total expenses	9,874,889	-	9,874,889
Increase (decrease) in net assets	(523,393)	(20,500)	(543,893)
Net assets, beginning of year	2,448,182	20,500	2,468,682
Net assets, end of year	$ 1,924,789	$ -	$ 1,924,789

The accompanying notes to financial statements
are an integral part of this statement.

NEIGHBORHOOD MEDICAL CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Program Services	Administrative Services	Total
Personnel	$ 6,962,767	$ 356,703	$ 7,319,470
Travel	128,001	6,558	134,559
Communication and utilities	228,140	11,688	239,828
Printing and supplies	58,960	3,020	61,980
Medication and pharmaceuticals	997,218	-	997,218
Repairs and maintenance	151,714	7,772	159,486
Professional fees	381,750	19,557	401,307
Advertising	24,499	1,255	25,754
Rent	49,876	2,555	52,431
Insurance	83,507	4,278	87,785
Depreciation	151,242	7,748	158,990
Other	128,224	6,569	134,793
Interest	28,556	1,463	30,019
In-kind	67,796	3,473	71,269
Total expenses	$ 9,442,250	$ 432,639	$ 9,874,889

The accompanying notes to financial statements
are an integral part of this statement.

NEIGHBORHOOD MEDICAL CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Cash flows from operating activities	
Cash received from grantors and others	$ 9,461,416
Cash paid to employees and vendors	(9,593,995)
Interest paid	(30,019)
Net cash used in operating activities	(162,598)
Cash flows from investing activities	
Purchases of property and equipment	(380,227)
Cash flows from financing activities	
Payments on notes payable	(52,680)
Net decrease in cash and cash equivalents	(595,505)
Cash and cash equivalents, beginning of year	1,958,124
Cash and cash equivalents, end of year	$ 1,362,619
Reconciliation of decrease in net assets to net cash used in operating activities	
Decrease in net assets	$ (543,893)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation	158,990
Decrease in prepaid expenses	61,665
Decrease in patient, grant and contract receivables	181,189
Decrease in unconditional promise to give	20,500
Decrease in accounts payable and accrued expenses	(41,049)
Total adjustments	381,295
Net cash used in operating activities	$ (162,598)
Supplemental schedule of non cash investing and financing activities:	
Insurance financed with note payable	$ 49,266
Property and equipment purchased with note payable	$ 709,500

The accompanying notes to financial statements
are an integral part of this statement.

NEIGHBORHOOD MEDICAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(1) Summary of Significant Accounting Policies:

The following is a summary of the more significant accounting policies and practices of Neighborhood Medical Center, Inc. (the "Organization") which affect significant elements of the accompanying financial statements:

(a) **General**—The Organization is a nonprofit organization located in Tallahassee, Florida. The Organization provides health care services to uninsured low-income and no-income individuals through a reduced fee medical clinic offering primary care, dental, eye care, mental health, and hypertension programs. The Organization also offers health education, and medical social services.

(b) **Property and equipment**—Property and equipment acquired by the Organization is considered to be owned by the Organization. However, funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The Federal Government has a reversionary interest in those assets purchased with its funds which have cost of $5,000 or more and an estimated useful life of at least one year.

Property and equipment with a value greater than $500 and an estimated useful life of at least one year are recorded at cost when purchased or at fair value when contributed. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from five to 30 years.

(c) **Income taxes**—The Organization is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and therefore, no provision for income taxes has been made in the accompanying financial statements.

The Organization files income tax returns in the U.S. Federal jurisdiction. The Organization's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

The Organization has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Organization.

(d) **Cash and cash equivalents—**For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, amounts in demand deposits held with banks, and short-term investments with an original maturity of ninety days or less.

(e) **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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(f) **Basis of accounting**—The financial statements of Neighborhood Medical Center, Inc. have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

(1) **Summary of Significant Accounting Policies:** (Continued)

(g) **Net assets**—Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

(h) **Functional allocation of expenses**—The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(i) **Contributions**—All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions that increases this net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Contributed property and equipment is recorded at fair value at the date of donation. In the absence of donor-imposed stipulations regarding how long the contributed assets must be used, the Organization has adopted a policy of not implying a time restriction on contributions of such assets that expires. Therefore, all contributions of property and equipment, and of the assets contributed to acquire property and equipment, are recorded as unrestricted support or contributions.

Donated services are recognized as contributions in accordance with accounting principles generally accepted in the United States of America, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Many volunteers provide services throughout the year that are not recognized as contributions in the financial statements, because the recognition criteria under accounting principles generally accepted in the United States of America was not met. It is impracticable to determine the fair value of all donated services by volunteers of the Organization beyond those recognized as income.

(j) **Grant and contract receivables**—Grant and contract receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

(1) **Summary of Significant Accounting Policies:** (Continued)

(k) **Grants and contracts revenues—**The Organization receives all of its grant and contract revenue from federal, state and local agencies. The Organization recognizes contract revenue (up to the contract ceiling) from its contracts over a period which represents the service period for certain contracts, or to the extent of expenses. Revenue recognition depends on the contract.

(l) **Third-party contractual adjustments**—Retroactively calculated third-party contractual adjustments are accrued on an estimated basis in the period the related services are rendered. Net patient service revenue is adjusted as required in subsequent periods based on final settlements.

(m) **Charges for services—**Fees for patient services are recorded at standard rates which are reduced by allowances based upon the patient's ability to pay and amounts estimated to be non-reimbursable by Medicare, Medicaid, and other third parties based on contracted rates and cost reimbursement, where applicable, under the provisions of the applicable usual, customary and reasonable fee profiles for services rendered. Charges for these services are included in the accompanying Statement of Activities and have been shown net of contractual adjustments and the provision for bad debts. Retroactive adjustments are accrued on an estimated bases in the period the related services are rendered and adjusted in future periods as final settlements are determined. Services rendered are reimbursed by Medicaid subject to specific documentation requirements. Compliance audits are conducted periodically by the Medicaid fiscal intermediaries, as well as the Organization's corporate compliance program, which can result in the recoupment of fees paid to the Organization. Deferred revenue in the Statement of Financial Position is recorded for amounts received for which the earnings process has not been completed.

(n) **Charity care**—The Organization has a policy of providing charity care to patients who are unable to pay. Such patients are charged fees based upon a sliding fee schedule based upon poverty guidelines. Since management does not expect payment for charity care, the estimated charges are excluded from net patient service revenues.

(o) **Advertising costs**—Advertising costs are charged to operations in the period incurred. Advertising cost for the year ending September 30, 2019 was $25,754.

(2) **Concentrations of Credit Risk:**

The more significant concentrations of credit risk are as follows:

(a) **Demand deposits—**The Organization maintains cash deposits with multiple financial institutions. The Organization has no policy requiring collateral to support its cash deposits, although accounts at the bank are insured up to Federal Deposit Insurance Corporation limits.

(b) **Grant and contract receivables—**The Organization's grant and contract receivables are for amounts due under grants and contracts with Federal government agencies, and local government agencies. The Organization has no policy requiring collateral or other security to support its receivables.

(c) **Patient accounts receivable**—The Organization's patient accounts receivable primarily consists of amounts due from third party payers and amounts due from patients. The Organization has no policy requiring collateral or other security to support its receivables.

(3) **Pension Plan:**

The Organization sponsors a salary reduction contribution plan pursuant to Section 403(b) of the Internal Revenue Code, covering substantially all employees. Under the plan, employees contribute a specified percentage of their salary, or a fixed dollar amount, to the plan. The Organization may agree to make "nonelective" contributions to their employees' 403(b) plans. "Nonelective" contributions to the plan for the year ending September 30, 2019 totaled $27,139.

(4) **Significant Funding Sources:**

The Organization receives a substantial amount of its funding from the Leon County, Florida and U.S. Department of Health and Human Services. A significant reduction in the level of this funding could have an adverse effect on the Organization's programs and activities.

(5) **Operating Leases:**

The Organization leases equipment under an operating lease expiring in 2021. Rental expense for equipment for the year ended September 30, 2019 was approximately $21,000. Minimum future rental payments under noncancelable operating leases having remaining terms in excess of one year as of September 30, 2019, for each of the next five years and in the aggregate are:

Year	Amount
2020	$ 21,179
2021	14,874
2022	-
2023	-
2024	-
	$ 36,053

(6) **Contingent Liabilities:**

Grant programs—Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Organization expects amounts, if any, to be immaterial.

(7) **Property and Equipment:**

Major classifications of property and equipment are as follows:

Land	$ 203,023
Construction in process	42,035
Buildings and improvements	782,454
Furniture, fixtures, and equipment	865,540
Vehicles	86,270
Mobile Unit	239,895
	2,219,217
Less: Accumulated depreciation	(833,786)
Net property and equipment	$ 1,385,431

(8) **Notes Payable:**

Notes payable consists of the following:

8.80% note payable to corporation, $2,062 payable monthly including interest thru March, 2020, uncollateralized.	$	11,376
9.60% note payable to corporation, $1,212 payable monthly including interest thru January, 2020, uncollateralized.		4,425
8.55% note payable to corporation, $1883 payable monthly including interest thru October, 2019, uncollateralized.		1,735
Variable interest rate note payable to bank, balance plus interest due August 2020. Interest rate is calculated at .5 percentage points over the Prime Rate. Note is collateralized by property.		709,500
Total long-term debt		727,036
Less: current portion		727,036
Total long-term debt, less current portion	$	-

Maturities of long-term debt over the next five years, and in the aggregate, are as follows:

Year		Amount
2020	$	727,036

(9) **Charity Care:**

In the ordinary course of business, the Organization renders services to patients who are financially unable to pay for Organization care. The Organization's policy is to not pursue collections for such amounts, therefore, the related charges for those patients who are financially unable to pay and that otherwise do not qualify for reimbursement from a governmental program are not reported in net patient service revenues or in the provision for bad debts, and are thus classified as charity care. The Organization determines amounts that qualify for charity care primarily based on the patient's household income relative to the federal poverty level guidelines, as established by the federal government.

Excluded in charges for service is approximately $2,000,000 for the year ended September 30, 2019, representing the value (at the Organization's standard charges) of these charity care services.

(10) **Patient Receivables:**

Patient receivables are unsecured obligations of Medicare, Medicaid, and other. Management recognizes that receivables from Medicaid and Medicare are significant, but does not believe that there are significant credit risks associated with government agencies. The mix of receivables at September 30, 2019 was as follows:

Medicaid	100%

(11) **Subsequent Events:**

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through January 20, 2021, the date which the financial statements were available to be issued.

Subsequent to September 30, 2019, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Organization as of January 20, 2021, management believes that a material impact on the Organization's financial position and results of future operations is reasonably possible.

In April 2020, the Organization received loan proceeds for approximately $1,100,000, pursuant to the Paycheck Protection Program (PPP) established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Under the terms of the PPP, loan proceeds and accrued interest are forgivable after twenty-four weeks if they are used for qualifying expenses such as payroll, benefits, rent and utilities, and the Organization maintains its payroll levels as described in the CARES Act. Any unforgiven portion of the loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. Management intends to utilize loan proceeds for purposes consistent with the PPP and believes substantially all of the loan will be forgiven, though it is reasonably possible that conditions could arise that would make the Organization ineligible for forgiveness of the loan, in whole or in part. The Organization received notification of forgiveness subsequent to September 30, 2019.

(12) **Line of Credit:**

The Organization has a $250,000 line of credit available with a financial institution. The line of credit bears interest at two percent above prime and is secured by inventory, accounts, equipment and general intangibles. The note matures in May, 2021. At September 30, 2019, the Organization had an outstanding balance of $0 on the line of credit.

(13) **Recently Issued Accounting Pronouncements:**

The Financial Accounting Standards Board (FASB) issued new or modifications to, or interpretations of, existing accounting guidance. The organization has considered the new pronouncements that altered accounting principles generally accepted in the United States of America, and other than as disclosed in the notes to the financial statements below, does not believe that any other new or modified principles will have a material impact on the Organization’s reported financial position or operations in the near term.

In May 2014, the FASB issued Accounting Standards Update 2014-09: Revenue from Contracts with Customers, to clarify the principles used to recognize revenue for all entities. The new standard (as amended) is effective for fiscal years beginning after December 15, 2019 and may be adopted early. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

(13) **Recently Issued Accounting Pronouncements:** (Continued)

In February 2016, the FASB issued Accounting Standards Update 2016-02: Leases (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The new standard is effective for fiscal years beginning after December 15, 2021 and may be adopted early. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

(14) **In-Kind Support:**

The Organization receives donations of rent and services to help serve patients. The value of this in-kind support is based upon the fair value of donated items. In-kind revenue totaled $71,269 for the year ended September 30, 2019 and is recognized in the Statement of Activities.

(15) **Liquidity and Availability:**

Financial assets available for general expenditure, that is, without donor restrictions or internal board designations limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	$ 1,362,619
Contract and grant receivables	277,167
Patient accounts receivable, net	173,959
Financial assets available to meet cash needs for general expenditures	$ 1,813,745

As part of our liquidity management plan, in the event of an unanticipated liquidity need, the Organization has $250,000 available from an unused line of credit.

(16) **Construction Commitment:**

The Organization has entered into a construction contract for the purposes of outfitting a building for clinical operations. The expected future cost of this project is $1,500,000. It is anticipated that the estimated renovation costs will be paid with a combination of reserves and loan proceeds.

NEIGHBORHOOD MEDICAL CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Contract Number	Expenditures
FEDERAL AWARDS			
U.S. Department of Health and Human Services			
Health Center Program	93.224	H80CS26803	$ 4,174,339
	Total Health Center Program Cluster		4,174,339
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA28472	682,603
Total Federal Assistance			$ 4,856,942

The accompanying notes to Schedule of Expenditures of Federal Awards is an integral part of this schedule.

NEIGHBORHOOD MEDICAL CENTER, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(1) **Basis of Presentation:**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal awards activity of Neighborhood Medical Center, Inc. under programs of the federal government for the year ended September 30, 2019 in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Neighborhood Medical Center, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of Neighborhood Medical Center, Inc.

(2) **Summary of Significant Accounting Policies:**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

(3) **De Minimis Indirect Cost Rate Election:**

Neighborhood Medical Center, Inc. has elected not to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

(4) **Subrecipients:**

For the year ended September 30, 2019, there were no amounts passed through to subrecipients.

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

To the Board of Directors,
Neighborhood Medical Center, Inc.:

We have audited 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, the financial statements of Neighborhood Medical Center, Inc., which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, statement of functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 20, 2021.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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.

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386-257-4100

133 East Indiana Avenue
DeLand, FL 32724-4329
Telephone: 386-738-3300

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352-378-1331

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850-386-6184

Website: www.jmco.com | Email: info@jmco.com | Member of AGN International with offices in principal cities worldwide

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned cost as item 2019-001, 2019-002 and 2019-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Neighborhood Medical Center, Inc.'s financial statements are free of 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*.

Neighborhood Medical Center, Inc. 's Response to Finding

Neighborhood Medical Center, Inc.'s response to the findings identified in our audit are described in the accompanying corrective action plan. Neighborhood Medical Center, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result 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.

James Moore & Co., P.L.

Tallahassee, Florida
January 20, 2021

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Board of Directors,
Neighborhood Medical Center, Inc.:

Report on Compliance for Each Major Federal Program

We have audited Neighborhood Medical Center, Inc.'s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement*, that could have a direct and material effect on each of Neighborhood Medical Center, Inc.'s major Federal programs for the year ended September 30, 2019. Neighborhood Medical Center, Inc.'s major Federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Neighborhood Medical Center, Inc.'s major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and Uniform Guidance, 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 Neighborhood Medical Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386-257-4100

133 East Indiana Avenue
DeLand, FL 32724-4329
Telephone: 386-738-3300

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352-378-1331

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850-386-6184

Website: www.jmco.com | Email: info@jmco.com | Member of AGN International with offices in principal cities worldwide

Opinion on Each Major Federal Program

In our opinion, Neighborhood Medical Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of Neighborhood Medical Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Neighborhood Medical Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Neighborhood Medical Center, Inc.'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-003 that we consider to be a material weakness.

Neighborhood Medical Center, Inc.'s response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Neighborhood Medical Center, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

James Moore & Co., P.L.

Tallahassee, Florida
January 20, 2021

NEIGHBORHOOD MEDICAL CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

I. Summary of Auditors' Results:

Financial Statements

A. Type of audit report issued on the financial statements: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _X_ yes ____ no
- Significant deficiency(ies) identified? ____ yes _X_ none reported

Noncompliance material to financial statements noted? ____ yes _X_ no

Federal Awards

Internal control over major Federal programs:

- Material weakness(es) identified? _X_ yes ____ no
- Significant deficiency(ies) identified? ____ yes _X_ none reported

Types of auditor's report issued on compliance for major Federal programs: *Unmodified*

Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)? ____ yes _X_ no

B. Identification of major programs:

Federal Program	Federal CFDA Number
Health Center Program Cluster: Health Center Program	93.224
Dollar threshold used to distinguish between type A and type B program:	$750,000

Auditee qualified as low-risk auditee? ____ yes _X_ no

NEIGHBORHOOD MEDICAL CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(Continued)

II. Financial Statement Findings:

Finding 2019-001: Prepare Financial Statements in Accordance with GAAP and Significant Adjustments

Condition and Criteria: The internal controls of Neighborhood Medical Center, Inc. have focused primarily on the objective of effectiveness and efficiency of operations (i.e., performance and mission goals and safeguarding of resources). However, the system of internal control over the objectives of reliability of financial reporting contains certain deficiencies. A key element of financial reporting is the ability of management to select and apply the appropriate accounting principles to prepare the financial statements in accordance with generally accepted accounting principles.

Cause: For the year ended September 30, 2019, certain adjustments were required to be made to the accounting records subsequent to the start of the audit process. These adjustments were necessary to correct material misstatements of the financial statements.

Effect: Financial statements would be materially misstated if significant adjustments were not made.

Recommendation: We recommend management select and apply the appropriate accounting principles to prepare the financial statements in accordance with generally accepted accounting principles.

Finding 2019-002: Accounting Procedures

Condition and Criteria: Management of Neighborhood Medical Center, Inc. have designed and implemented internal control procedures for the various accounting transaction cycles including purchasing, payroll, revenue and financial close out. Internal controls designed for specific transactions should be followed.

Cause: For the year ended September 30, 2019, we noted the Organization recorded receipts of funds through approved journal entries. These recordings of funds should be recorded through the deposit module in the accounting software.

Effect: Control processes designed for standard accounting transactions might not be followed if transactions are recorded as adjusting journal entries.

Recommendation: We recommend the Organization only use the adjusting journal entry function within the accounting system for non-standard transactions that cannot be recorded using other modules within the accounting system.

NEIGHBORHOOD MEDICAL CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(Continued)

III. Federal Audit Findings and Questioned Costs:

Finding 2019-003:

Information on the Federal Program: CFDA 93.224. Health Center Program. *Award Number:* H80CS26803. *Compliance Requirement:* Activities allowed.

Criteria: Costs should be allocated in the accounting system among the grants according to CFR 200.

Condition: Costs were not allocated in the accounting system to the grant program during the fiscal year according to a well defined cost allocation plan.

Cause: Management should follow the cost allocation plan.

Effect: Expenses could be improperly reimbursed by the grant program and the grantor could require repayment.

Recommendation: Management should follow the cost allocation plan.

NEIGHBORHOOD MEDICAL CENTER, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Finding 2018-001: **Prepare Financial Statements in Accordance with GAAP and Significant Adjustments**

Status: Unresolved

Some of these entries from the prior year's audit, primarily those affecting cash balances were omitted requiring booking by the auditors at the start of the 2019 audit.

Neighborhood Medical Center Inc.

Corrective Action Plan

September 30, 2019

Finding 2019-001: **Prepare Financial Statements in Accordance with GAAP and Significant Adjustments**

Neighborhood Medical Center generally books adjusting entries recommended and prepared by the auditors as part of the audit process. Some of these entries from the prior year's audit, primarily those affecting cash balances were omitted requiring booking by the auditors at the start of the 2019 audit.

- Ensuring all auditor-proposed entries from the prior year's audit, including those affecting cash balances, are recorded to ensure compliance with generally accepted accounting principles.

Finding 2019-002: **Accounting Procedures**

Neighborhood Medical Center recorded some receipt of funds through approved journal entries. The recording of funds should be recorded through the deposit module in the accounting software. Control processes designed for standard accounting transactions might not be followed if transactions are recorded as adjusting journal entries.

- The current system being used Quick Books is a bookkeeping system and the general journal function is how we record all deposits. NMC has grown and this system is no longer adequate for our financial operations. We are in the process of acquiring an accounting system. We have met with representatives from SAGE Intacct and MIP Cloud and received quotes for the respective systems. Consideration is being made to upgrade to an accounting system to accommodate increased deposit volumes and properly record all deposits.

Finding 2019-003:

Neighborhood Medical Center costs are not accounted for using a system in which program specific cost can be easily identifiable and the accounting for increased grant funding has not been applied in a consistent manner. This can lead to the increased potential of misstatements regarding reporting of grant costs on the financial statements.

- Ensuring the implementation of cost allocation procedures in which costs are applied to specific programs throughout the year. We have added additional chart fields to help us with this process until we can obtain a new accounting system. We have also talked to Quick Books representatives about reconfiguring our current chart of accounts, but by the time we go through that we should have a new system.