

Newark Community Health Centers, Inc.

**Financial Statements,
Schedule of Expenditures of Federal and
State Awards, Internal Control and Compliance
(With Supplementary Information)
and Independent Auditor's Report**

December 31, 2014 and 2013

Newark Community Health Centers, Inc.

Index

	<u>Page</u>
Independent Auditor's Report	2-3
Statements of Financial Position	4
Statements of Activities and Changes in Net Assets	5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8-20
Schedule of Expenditures of Federal and State Awards	21-22
Notes to Schedule of Expenditures of Federal and State Awards	23
Schedules of Disbursements by Grant	24-30
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	31-32
Independent Auditor's Report on Compliance for Each Major Federal and State Program, and Report on Internal Control over Compliance Required by OMB Circular A-133 and New Jersey OMB Circular 04-04	33-34
Schedule of Findings and Questioned Costs	35-36
Status of Prior Year's Findings	37

Independent Auditor's Report

To the Board of Directors
Newark Community Health Centers, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Newark Community Health Centers, Inc. (the "Center"), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, functional expenses 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 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 Center'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 Center'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 the Center as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and State of New Jersey, Department of Treasury, Office of Management and Budget Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, is presented for purposes of additional analysis and is not a required part of the financial statements. The schedules of disbursements by grant included in the accompanying financial statements on pages 24 through 30 are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of Federal and state awards, and schedules of disbursements by grant are the responsibility of management and were derived from and relate 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 June 22, 2015 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cohn Reznick LLP". The signature is written in a cursive, flowing style.

New York, New York
June 22, 2015

Newark Community Health Centers, Inc.

Statements of Financial Position
December 31, 2014 and 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 1,187,862	\$ 766,585
Assets limited to use	1,082,387	1,082,387
Patient services receivable, net	4,539,595	3,005,385
Pharmacy program receivable	119,368	-
Contracts and other grants receivable, net	763,329	364,171
Prepaid expenses and other current assets	257,881	330,161
Total current assets	<u>7,950,422</u>	<u>5,548,689</u>
Property and equipment, net	13,530,273	8,334,220
Security deposits	22,092	22,092
Total noncurrent assets	<u>13,552,365</u>	<u>8,356,312</u>
Total assets	<u>\$ 21,502,787</u>	<u>\$ 13,905,001</u>
<u>Liabilities and Unrestricted Net Assets</u>		
Current liabilities:		
Line of credit	\$ 167,855	\$ 249,144
Accounts payable and accrued expenses	1,243,028	955,096
Accrued payroll and employee benefits	1,138,919	968,140
Refundable advances	611,197	29,279
Total current liabilities	<u>3,160,999</u>	<u>2,201,659</u>
Noncurrent liabilities:		
Deferred rent	66,180	86,896
Construction loan	3,844,749	2,089,866
Total liabilities	<u>7,071,928</u>	<u>4,378,421</u>
Commitments and contingencies		
Unrestricted net assets:		
Undesignated	13,348,472	8,444,193
Board-designated	1,082,387	1,082,387
Total unrestricted net assets	<u>14,430,859</u>	<u>9,526,580</u>
Total liabilities and unrestricted net assets	<u>\$ 21,502,787</u>	<u>\$ 13,905,001</u>

See Notes to Financial Statements.

Newark Community Health Centers, Inc.

**Statements of Activities and Changes in Net Assets
Years Ended December 31, 2014 and 2013**

	2014	2013
Unrestricted revenue:		
Patient services (net of contractual allowances)	\$ 15,645,933	\$ 15,747,477
Provision for bad debts	(1,101,608)	(1,180,494)
Net patient services revenue less provision for bad debts	14,544,325	14,566,983
DHHS grants	5,057,988	4,427,356
Contracts and other grants	1,456,924	1,598,517
In-kind contributions	1,174,570	1,403,854
Pharmacy program	963,171	-
Other	182,221	461,919
Total unrestricted revenue	23,379,199	22,458,629
Expenses:		
Salaries and related benefits	16,387,776	14,571,649
Other than personnel services	5,202,145	5,203,373
Depreciation and amortization	555,600	640,958
Interest	50,619	38,313
Total expenses	22,196,140	20,454,293
Income from operations	1,183,059	2,004,336
Nonoperating revenue:		
DHHS capital grants	3,721,220	1,341,675
Donated property	-	50,777
	3,721,220	1,392,452
Changes in net assets	4,904,279	3,396,788
Unrestricted net assets, beginning of year	9,526,580	6,129,792
Unrestricted net assets, end of year	\$ 14,430,859	\$ 9,526,580

See Notes to Financial Statements.

Newark Community Health Centers, Inc.

Statements of Functional Expenses
Year Ended December 31, 2014
(With Comparative Totals for 2013)

	2014			2013 Total
	Program Services	General and Administrative	Total	
Salaries and wages	\$ 10,897,950	\$ 2,392,233	\$ 13,290,183	\$ 11,977,785
Fringe benefits	2,540,203	557,390	3,097,593	2,593,864
Insurance	122,846	40,949	163,795	154,055
Professional fees	119,722	866,669	986,391	1,212,651
Medical supplies and lab costs	1,226,130	-	1,226,130	840,134
Donated vaccines and supplies	1,099,245	-	1,099,245	1,363,346
Equipment rental and maintenance	174,952	58,317	233,269	220,521
Occupancy	441,876	147,292	589,168	548,665
Postage	17,413	3,823	21,236	23,225
Printing and publications	-	-	-	275
Public information	1,638	359	1,997	1,596
Dues and subscriptions	55,712	12,230	67,942	55,020
Travel, conferences and meetings	115,795	25,418	141,213	128,966
Staff education	21,757	4,776	26,533	42,265
Telephone	285,221	62,609	347,830	396,923
Interest	37,964	12,655	50,619	38,313
Bad debts - contracts	103,750	-	103,750	103,750
Other	145,235	48,411	193,646	111,981
Depreciation and amortization	416,700	138,900	555,600	640,958
Total functional expenses	<u>\$ 17,824,109</u>	<u>\$ 4,372,031</u>	<u>\$ 22,196,140</u>	<u>\$ 20,454,293</u>

Newark Community Health Centers, Inc.

**Statements of Cash Flows
Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Operating activities:		
Cash received from patient services and pharmacy program	\$ 13,853,918	\$ 13,244,902
Cash received from contracts and other grants	6,593,922	5,768,003
Cash received from other	182,221	461,919
Cash paid to employees	(16,216,997)	(14,549,318)
Cash paid to vendors	(4,366,009)	(4,672,214)
Interest paid	<u>(50,619)</u>	<u>(38,313)</u>
Net cash (used in) provided by operating activities	<u>(3,564)</u>	<u>214,979</u>
Investing activity - purchase of property and equipment	<u>(4,969,973)</u>	<u>(2,956,369)</u>
Financing activities:		
Receipt of nonoperating capital grants	3,721,220	1,341,675
Proceeds from line of credit	175,812	65,380
Payment of line of credit	(257,101)	(101,244)
Proceeds from construction loan	1,833,043	1,495,450
Payment of construction loan	(78,160)	
Payment of due to the State of New Jersey	-	(31,429)
Net cash provided by financing activities	<u>5,394,814</u>	<u>2,769,832</u>
Net increase in cash and cash equivalents (including board designated assets limited to use)	421,277	28,442
Cash and cash equivalents, beginning of year (including board designated assets limited to use)	<u>1,848,972</u>	<u>1,820,530</u>
Cash and cash equivalents, end of year (including board designated assets limited to use)	<u>\$ 2,270,249</u>	<u>\$ 1,848,972</u>
Reconciliation of changes in net assets to net cash (used in) provided by operating activities:		
Changes in net assets	\$ 4,904,279	\$ 3,396,788
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Provision for bad debts - patient services	1,101,608	1,180,494
Provision for bad debts - contracts	103,750	103,750
Nonoperating capital grants	(3,721,220)	(1,341,675)
Donated property	-	(50,777)
Depreciation and amortization	555,600	640,958
Deferred rent	(20,716)	(2,182)
Changes in operating assets and liabilities:		
Patient services receivable	(2,635,818)	(2,502,575)
Pharmacy program receivable	(119,368)	
Contracts and other grants receivable	(502,908)	(199,084)
Prepaid expenses and other current assets	72,280	142,436
Accounts payable and accrued expenses	(493,748)	(1,116,699)
Accrued payroll and employee benefits	170,779	22,331
Refundable advances	<u>581,918</u>	<u>(58,786)</u>
Net cash (used in) provided by operating activities	<u>\$ (3,564)</u>	<u>\$ 214,979</u>
Supplemental disclosure of noncash investing activity:		
Capital acquisitions included in accounts payable and accrued expenses	<u>\$ 781,680</u>	<u>\$ 245,080</u>

See Notes to Financial Statements.

Newark Community Health Centers, Inc.

**Notes to Financial Statements
December 31, 2014 and 2013**

Note 1 - Organization and summary of significant accounting policies

Organization

Newark Community Health Centers, Inc. ("NCHC" or the "Center") operates healthcare centers in Essex County, New Jersey. NCHC provides a broad range of health services to a largely medically underserved population.

The U.S. Department of Health and Human Services ("DHHS") provides substantial support to NCHC. NCHC is obligated under the terms of the DHHS grants to comply with specified conditions and program requirements set forth by the grantor.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

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.

Classification of net assets

The Center reports information regarding its financial position and activities according to the following three categories:

Unrestricted net assets are not externally restricted for identified purposes by donors or grantors. Unrestricted net assets include resources that the governing board may use for any designated purpose and resources whose use is limited by agreement between NCHC and an outside party other than a donor or grantor.

Temporarily restricted net assets are those whose use by NCHC has been limited by donors to a specific purpose. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are recorded as net assets released from restrictions. There are no temporarily restricted net assets at December 31, 2014 and 2013.

Permanently restricted net assets are assets which are not expendable. Income and/or appreciation on the investments of these net assets are either unrestricted or temporarily restricted based on donor-imposed stipulations or by operation of law. There are no permanently restricted net assets at December 31, 2014 and 2013.

Cash and cash equivalents

NCHC maintains its cash in bank deposit accounts which, at times, may exceed Federally-insured limits. NCHC has not experienced any losses in such accounts. At December 31, 2014, NCHC's cash balance exceeds Federally-insured limits by \$1,698,116. All highly liquid

Newark Community Health Centers, Inc.

Notes to Financial Statements December 31, 2014 and 2013

investments with maturities of three months or less when purchased are considered to be cash equivalents.

Patient services receivable

The collection of receivables from third-party payors and patients is NCHC's primary source of cash for operations and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts (deductibles and copayments) remain outstanding. Patient receivables from third-party payors are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors.

Receivables due directly from patients are carried at the original charge for the service provided less discounts provided under NCHC's charity care policy, less amounts covered by third-party payors and less an estimated allowance for doubtful receivables. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. NCHC considers accounts past due when they are outstanding beyond 90 days with no payment. NCHC generally does not charge interest on past due accounts. Patient receivables are written-off against the allowance for doubtful accounts when deemed uncollectible. Recoveries of receivables previously written-off are recorded as a reduction of bad debt expense when received.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the assets ranging from 5-40 years. Leasehold improvements are amortized over the shorter of the useful life of the asset or the lease term. Expenditures over \$1,000 are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are included in changes in net assets.

Construction in progress is recorded at cost. NCHC capitalizes construction, insurance and other costs during the period of construction. Depreciation and amortization is recorded when construction is substantially complete and the assets are placed in service.

According to Federal regulations, any property and equipment obtained through Federal funds are subject to a lien by the Federal government. Provided that NCHC maintains its tax-exempt status and the property and equipment are used for their intended purpose, NCHC is not required to reimburse the Federal government. If the stated requirements are not met, NCHC would be obligated to the Federal government in an amount equal to the fair value of the property and equipment.

Newark Community Health Centers, Inc.

Notes to Financial Statements December 31, 2014 and 2013

Impairment of long-lived assets

NCHC reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing a review for impairment, NCHC compares the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that impairment has occurred, the loss would be recognized during that period. The impairment loss is calculated as the difference between the asset carrying values and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance and pricing trends. NCHC does not believe that any material impairment currently exists related to its long-lived assets.

Deferred rent

NCHC occupies two buildings under leases containing escalation clauses that require normalization of the rental expense over the life of the lease. The resulting deferred rent is reflected in the accompanying statements of financial position.

Grants and contracts

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when the expenditures have been incurred in compliance with the grantor's restrictions. Grants and contracts awarded for the acquisition of long-lived assets are reported as unrestricted nonoperating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as refundable advances on the statements of financial position. At December 31, 2014, NCHC has received conditional grants and contracts from governmental entities in the aggregate amount of \$4,985,185 that have not been recorded in the accompanying financial statements as they have not yet been earned. These grants and contracts require NCHC to provide certain services during specified periods. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants and contracts.

Patient services revenue

NCHC has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Payment arrangements include predetermined fee schedules and discounted charges. Service fees are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors, which are subject to audit by administering agencies. These adjustments are accrued on an estimated basis, and are adjusted in future periods as final settlements are determined.

NCHC provides care to certain patients under Medicaid and Medicare payment arrangements. Laws and regulations governing the Medicaid and Medicare programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action. Self-pay revenue is recorded at published charges with charitable care deducted to arrive at gross self-pay revenue. Contractual allowances are then deducted to arrive at net self-pay patient revenue before a provision for bad debts.

Newark Community Health Centers, Inc.

Notes to Financial Statements December 31, 2014 and 2013

Charity care and community benefit

NCHC is open to all patients, regardless of their ability to pay. In the ordinary course of business, NCHC renders services to patients who are financially unable to pay for healthcare. NCHC provides care to these patients who meet certain criteria under its sliding fee discount policy without charge or at amounts less than the established rates. Charity care services are computed using a sliding fee scale based on patient income and family size. NCHC maintains records to identify and monitor the level of sliding fee discount it provides. For uninsured self-pay patients that do not qualify for charity care, NCHC recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates, if negotiated or provided by policy. On the basis of historical experience, a significant portion of NCHC's uninsured patients will be unable or unwilling to pay for the services provided. Thus, NCHC records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Community benefit represents the cost of services for Medicaid, Medicare and other public patients for which NCHC is not reimbursed.

Based on the cost of patient services, charity care approximated \$1,772,000 and \$2,500,000 in 2014 and 2013, respectively, while there were no community benefits in 2014 and 2013.

Pharmacy receivable and revenue

In April 2014, NCHC began participating in Section 340B of the Public Health Service Act ("PHS Act"), *Limitation on Prices of Drugs Purchased by Covered Entities*. Participation in this program allows NCHC to purchase pharmaceuticals at discounted rates for prescriptions to eligible patients. Pharmacy revenue is generated through the pharmacy and 340B program that NCHC operates through its agreement with a third party for the year ended December 31, 2014. Under this program, NCHC uses the third party as its agent for the purpose of operating and managing the pharmacy and providing pharmacy services. NCHC recognized pharmacy revenue of \$963,171 for the year ended December 31, 2014, and pharmacy receivable of \$119,368 as of December 31, 2014 which is reflected as pharmacy program receivable on the statements of financial position.

Concentrations of credit risk

Financial instruments that potentially subject NCHC to concentrations of credit risk consist principally of cash, cash equivalents, patient services receivable, assets limited to use, and grants and contracts receivable. NCHC places its cash, cash equivalents and assets limited to use with high-quality financial institutions. NCHC monitors its financial institutions and the concentration of credit risk on a regular basis and does not anticipate nonperformance by the financial institutions.

Patient services receivable credit risk is limited because the receivables are reported at their outstanding unpaid balances reduced by an allowance for doubtful accounts. The Center estimates doubtful accounts based on historical bad debts, factors related to specific payors' ability to pay and current economic trends.

Newark Community Health Centers, Inc.

Notes to Financial Statements December 31, 2014 and 2013

Grants and contracts receivable credit risk is limited due to the nature of the grants and contracts. The Center regularly monitors its grants and contracts receivable by investigating delayed payments and differences when payments received do not conform to the amount billed. The Center considers all grants and contracts as collectible.

Contributions

Contributions are recorded at fair value when received or pledged. Amounts are recorded as temporarily or permanently restricted revenue if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor restricted contributions whose restrictions expire during the same fiscal year are recognized as unrestricted revenue. Conditional contributions are recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions.

Meaningful use incentive

The American Recovery and Reinvestment Act of 2009 ("ARRA") amended the Social Security Act to establish one-time incentive payments under the Medicare and Medicaid programs for certain professionals that: (1) meaningfully use certified Electronic Health Record ("EHR") technology, (2) use the certified EHR technology for electronic exchange of health information to improve quality of healthcare, and (3) use the certified EHR technology to submit clinical and quality measures. These provisions of ARRA, together with certain of its other provisions, are referred to as the Health Information Technology for Clinical and Economic Health ("HITECH") Act. The criteria for meaningful use incentives will be staged in three steps over the course of six years and be paid out based on a transitional schedule. NCHC's providers have met the criteria for Stage 1 participation and have earned \$102,000 and \$314,500 from the Medicaid incentive program as of December 31, 2014 and 2013 respectively, which is included in other revenue.

In-kind contributions

In-kind contributions are recognized in the accompanying financial statements based on their fair value (See Note 14 for details).

Functional expenses

Expenses are charged to program services or general and administrative based on a combination of specific identification and allocation by management.

Reclassifications

Certain reclassifications have been made to the 2013 balances to conform to the 2014 presentation.

Performance indicator

The statements of activities and changes in net assets include income from operations as the performance indicator. Changes in unrestricted net assets which are excluded from the performance indicator include DHHS capital grants and donated property.

Newark Community Health Centers, Inc.

Notes to Financial Statements
December 31, 2014 and 2013

Interest earned on Federal funds

Interest earned on Federal funds is recorded as a payable to the Public Health Service (the "PHS") in compliance with OMB Circular A-110.

Tax status

NCHC was incorporated as a not-for-profit corporation under the laws of the State of New Jersey and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, there is no provision for income taxes. NCHC has no unrecognized tax benefits at December 31, 2014 and 2013. NCHC's Federal and state income tax returns prior to fiscal years 2011 and 2010, respectively, are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

NCHC has filed all required payroll tax returns and payroll taxes due have been paid.

NCHC recognizes interest and penalties associated with tax matters as operating expenses and includes accrued interest and penalties with accrued expenses in the statements of financial position.

Subsequent events

NCHC has evaluated subsequent events through June 22, 2015, which is the date the financial statements were available to be issued.

Note 2 - Patients services receivable

Patient services receivable, net, consist of the following at December 31:

	<u>2014</u>	<u>2013</u>
Medicaid and Medicaid managed care	\$ 5,720,191	\$ 3,318,753
Medicare	374,475	414,285
Self pay	626,820	319,028
Private insurance	385,577	297,373
New Jersey uncompensated care	<u>165,236</u>	<u>429,680</u>
Totals	7,272,299	4,779,119
Less allowance for doubtful accounts	<u>2,732,704</u>	<u>1,773,734</u>
Totals	<u>\$ 4,539,595</u>	<u>\$ 3,005,385</u>

Patient services receivable is reduced by an allowance for doubtful accounts. In evaluating the collectability of patient services receivable, NCHC 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. Management regularly 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, NCHC analyzes contractually due amounts and

Newark Community Health Centers, Inc.

Notes to Financial Statements
December 31, 2014 and 2013

provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), NCHC 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 provided by NCHC's policy and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts.

NCHC's allowance for doubtful accounts was 38 percent and 37 percent of patient services receivable at December 31, 2014 and 2013, respectively. NCHC had \$142,638 and \$36,101 of direct write-offs for the years ended December 31, 2014 and 2013, respectively. NCHC has not changed its charity care or uninsured discount policies during fiscal year 2014.

Note 3 - Contracts and other grants receivable

Contracts and other grants receivable consist of the following at December 31:

	<u>2014</u>	<u>2013</u>
New Jersey Department of Health and Senior Services	\$ 55,035	\$ 28,900
DHHS – Healthy Start Initiative	156,579	-
Irvington Department of Health	65,000	103,750
New Jersey Institute of Technology	-	45,000
CDC Foundation	110,953	-
American Cancer Society	8,750	-
Newark Department of Health	<u>367,012</u>	<u>186,521</u>
Totals	<u>\$ 763,329</u>	<u>\$ 364,171</u>

Note 4 - Assets limited to use

The Board of Directors passed a resolution to designate unrestricted cash for the purpose of satisfying a judgment related to the debt rendered in favor of the State of New Jersey Department of Labor as well as for the establishment of a reserve for operating contingencies. The balance at December 31, 2014 and 2013 was \$1,082,387 as assets whose use is limited. These assets are invested in interest-bearing cash equivalent money market funds.

Newark Community Health Centers, Inc.

**Notes to Financial Statements
December 31, 2014 and 2013**

Note 5 - Property and equipment

Property and equipment consists of the following at December 31:

	<u>2014</u>	<u>2013</u>
Buildings	\$ 4,939,881	\$ 4,937,359
Building and leasehold improvements	1,324,945	1,303,045
Vehicles	197,730	197,730
Furniture and fixtures	220,269	218,709
Equipment	<u>1,824,245</u>	<u>1,724,976</u>
Totals	8,507,070	8,381,819
Less accumulated depreciation and amortization	(5,313,148)	(4,757,548)
Add construction in progress	<u>10,336,351</u>	<u>4,709,949</u>
Totals	<u>\$13,530,273</u>	<u>\$ 8,334,220</u>

In the event the DHHS grants are terminated, the DHHS reserves the right to transfer all property and equipment purchased with grant funds to the PHS or third parties.

Depreciation and amortization expense amounted to \$555,600 and \$640,958 in 2014 and 2013, respectively.

Interest expense capitalized was \$261,364 and \$77,665 for the years ended December 31, 2014 and 2013.

Note 6 - Line of credit

NCHC has an annual revolving line of credit with a bank in the amount of \$300,000. The line of credit is secured by all assets of NCHC. Interest is payable monthly and is computed at the prime rate plus 1.25% per annum (4.5% at December 31, 2014 and 2013). The line of credit has a balance of \$167,855 and \$249,144 at December 31, 2014 and 2013, respectively. The line is due on October 19, 2015.

Note 7 - Refundable advances

Refundable advances consist of the following at December 31:

	<u>2014</u>	<u>2013</u>
March of Dimes	\$ 33,617	\$ 8,668
DHHS – Health Centers Cluster	371,620	-
DHHS – CDC Grant	30,055	-
The Horizon Foundation	-	12,500
Gilead Sciences, Inc.	144,000	-
United Healthcare	15,000	-
HIV/AIDS Care and Treatment	-	7,110
HIV/AIDS Health Education/Prevention Services	<u>16,905</u>	<u>1,001</u>
Totals	<u>\$ 611,197</u>	<u>\$ 29,279</u>

Newark Community Health Centers, Inc.

Notes to Financial Statements December 31, 2014 and 2013

Note 8 - Construction loan

In September 2012, NCHC entered into an agreement with The Reinvestment Fund, Inc. (the "Lender"). Under the agreement, the Lender shall provide financing up to a maximum amount of \$5,227,000 to fund renovations at NCHC's Broadway and William Street facilities. Funds shall be advanced to NCHC during the construction period of eighteen (18) months based on project cash requirements. On May 1, 2014, the Lender agreed to extend the construction period through September 30, 2014. On December 22, 2014, the Lender again agreed to extend the construction period through March 31, 2015. On March 25, 2015, a final extension of the construction period through June 30, 2015 was granted by the Lender. NCHC will continue to make interest-only payments during these extended periods. During the construction period, NCHC shall make monthly interest-only payments on amounts advanced at 6% per annum. After the construction period, the construction loan shall be converted into a term loan payable in sixty (60) months with interest at 6% per annum. The construction loan is secured by a mortgage on the facilities being renovated. Advances made on the construction loan amounted to \$3,844,749 and \$2,089,866 as of December 31, 2014 and 2013, respectively.

NCHC is required to comply with certain covenants under its construction loan.

Note 9 - Patient services revenue (net of contractual allowances)

The Center recognizes patient services revenue associated with services provided to patients who have Medicaid, Medicare, third party payor and managed care plans coverage on the basis of contractual rates for services rendered. For uninsured patients that do not qualify for charity care, the Center recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates, if negotiated or provided by policy. Charity care services are computed using a sliding fee scale based on patient income and family size. On the basis of historical experience, a significant portion of the Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Center records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	<u>2014</u>	<u>2013</u>
Medicaid	\$ 2,676,903	\$2,008,194
Medicare	655,858	530,989
Medicaid managed care	8,325,039	6,717,739
Self-pay	763,722	2,092,030
Private insurance	959,801	705,864
New Jersey uncompensated care	<u>2,264,610</u>	<u>3,692,661</u>
Totals	<u>\$15,645,933</u>	<u>\$15,747,477</u>

Newark Community Health Centers, Inc.

**Notes to Financial Statements
December 31, 2014 and 2013**

Medicaid and Medicare revenue is reimbursed to NCHC at the net reimbursement rates determined by each program. Reimbursement rates are subject to revisions under the provision of reimbursement regulations. Adjustments for such revisions are recognized in the fiscal year incurred.

Note 10 - DHHS grants

For the year ended December 31, 2014, NCHC recognized grant revenue from the DHHS as follows:

<u>Grant Number</u>	<u>Grant Period</u>	<u>Total Grant</u>	<u>Revenue Recognized</u>
Operating grants:			
6H80CS00062-12-08	12/01/12 – 11/30/13	\$3,651,756	\$ 156,632
6H80CS00062-13-07	12/01/13 – 11/30/14	3,976,960	3,482,748
6H80CS00062-14-02	12/01/14 – 11/30/15	3,820,434	347,553
6H76HA00054-22-03	01/01/14 – 12/31/14	555,750	555,750
6H49MC27814-01-01	09/01/14 – 05/31/15	532,700	156,579
5U65PS002607-04	07/01/13 – 06/30/14	356,789	178,394
5U65PS002607-05	07/01/14 – 06/30/15	360,662	<u>180,332</u>
Total – Operating			5,057,988
Nonoperating grant:			
C80CS17067-01-13	12/09/09 – 04/30/15	6,453,000	<u>3,721,220</u>
Total DHHS revenue - 2014			<u>\$ 8,779,208</u>

For the year ended December 31, 2013, NCHC recognized grant revenue from the DHHS as follows:

<u>Grant Number</u>	<u>Grant Period</u>	<u>Total Grant</u>	<u>Revenue Recognized</u>
Operating grants:			
6H80CS00062-12-08	12/01/12 – 11/30/13	\$3,651,756	\$ 3,216,673
6H80CS00062-13-07	12/01/13 – 11/30/14	3,976,960	282,865
6H76HA00054-21-03	01/01/13 – 12/31/13	555,750	555,750
5U65PS002607-03	07/01/12 – 06/30/13	387,347	193,673
5U65PS002607-04	07/01/13 – 06/30/14	356,789	<u>178,395</u>
Total – Operating			4,427,356
Nonoperating grant:			
C80CS17067-01-13	12/09/09 – 04/30/15	6,453,000	<u>1,341,675</u>
Total DHHS revenue - 2013			<u>\$ 5,769,031</u>

Newark Community Health Centers, Inc.

**Notes to Financial Statements
December 31, 2014 and 2013**

Note 11 - Contracts and other grants

For the years ended December 31, 2014 and 2013 contracts and other grants revenue consist of the following:

	<u>2014</u>	<u>2013</u>
City of Newark:		
Ryan White, Part A	\$ 374,286	\$ 552,903
New Jersey Department of Health and Senior Services:		
HIV Counseling and Testing	97,200	105,400
Outreach and Education	273,872	430,460
Health Education Risk Reduction/Prevention Services	257,782	273,807
Refugee Health Services	53,339	53,339
Sandy Targeted Outreach	96,273	-
The Horizon Foundation of New Jersey	12,500	25,000
March of Dimes	25,201	32,968
Irvington TB Control Services	30,000	30,000
CDC Foundation	162,971	-
Other	<u>73,500</u>	<u>94,640</u>
Totals	<u>\$1,456,924</u>	<u>\$ 1,598,517</u>

Note 12 - Retirement plan

The Newark Community Health Centers, Inc. Employees' Retirement Plan (the "Plan") is a defined contribution plan established on January 1, 2001. It is available to substantially all employees of the Center who have attained 21 years of age and who have completed one year of eligible service with a minimum of 1,000 hours of service. Contributions may be invested in available investment funds elected by the employee. The Plan has met the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA") and is therefore subject to the provisions of ERISA. The Plan provides for benefit distributions to Plan participants or their beneficiaries upon the participant's retirement, termination of employment or death. Any participant may apply to borrow all or part of his or her vested account balance subject to criteria in the Plan set by IRS regulations and limits and the approval of the Plan administrator. Participants are fully vested after five years of service in the employer match but forfeit all of the employer contributions and earnings thereon if the participant leaves with less than two years of service. Pension expense for 2014 and 2013 amounted to \$306,044 and \$184,364, respectively.

Note 13 - Commitments and contingencies

NCHC has contracted with various funding agencies to perform certain healthcare services, and receives Medicaid and Medicare revenue from the state and Federal governments. Reimbursements received under these contracts and payments under Medicaid and Medicare are subject to audit by the Federal and state governments and other agencies. Upon audit, if discrepancies are discovered, NCHC may be required to refund the amounts in question.

Newark Community Health Centers, Inc.

**Notes to Financial Statements
December 31, 2014 and 2013**

NCHC maintains its medical malpractice coverage under the Federal Tort Claims Act ("FTCA"). FTCA provides malpractice coverage to eligible PHS-supported programs and applies to NCHC and its employees while providing services within the scope of employment included under grant-related activities. The Attorney General, through the U.S. Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage.

The healthcare industry is subject to voluminous and complex laws and regulations of Federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral laws, and false claims prohibitions. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of reimbursement, false claims, anti-kickback and anti-referral statutes and regulation by healthcare providers. NCHC believes that it is in material compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Upon audit, if discrepancies are discovered, NCHC could be held responsible for refunding the amount in question.

NCHC is involved in claims and legal actions in the ordinary course of business. Management is of the opinion that the ultimate outcome of these matters will not have a material adverse impact on the financial position, results of operations or cash flows of NCHC.

NCHC entered into various lease agreements for the use of space and office equipment which have been classified as operating leases and expire through August 2018. As of December 31, 2014, NCHC is obligated to make future minimum payments in each of the subsequent four years as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2015	\$ 282,277
2016	225,317
2017	168,454
2018	<u>107,245</u>
Total	<u>\$ 783,293</u>

Rental expense for 2014 and 2013 under these operating leases was \$467,960 and \$438,500, respectively.

Newark Community Health Centers, Inc.

Notes to Financial Statements
December 31, 2014 and 2013

Note 14 - In-kind contributions

NCHC occupies certain buildings rent free. These buildings are owned by the City of Newark. Management uses an estimated market rate per square foot to determine the fair rental value of the spaces. NCHC also receives donated vaccines from the New Jersey Department of Health and Senior Services ("NJDHSS") which are recorded at fair value as determined by NJDHSS. Following is a detailed breakdown of in-kind contributions:

	<u>2014</u>	<u>2013</u>
Donated rent	\$ 75,325	\$ 60,625
Donated medical supplies	-	146,635
Donated furniture	-	50,777*
Donated vaccines	<u>1,099,245</u>	<u>1,196,594</u>
Total in-kind contribution	<u>\$ 1,174,570</u>	<u>\$ 1,454,631</u>

* Included in nonoperating revenue in the statements of activities and changes in net assets.

Newark Community Health Centers, Inc.

**Schedule of Expenditures of Federal and State Awards
Year Ended December 31, 2014**

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Total Expenditures
Federal awards:			
U.S. Department of Health and Human Services:			
Direct programs:			
Health Centers Cluster:			
Consolidated Health Centers	93.224	N/A	\$ 1,532,327
Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program	93.527	N/A	<u>2,454,606</u>
Subtotal - Health Centers Cluster			<u>3,986,933</u>
ARRA - Grants to Health Center Programs	93.703	N/A	<u>3,721,220</u>
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	<u>555,750</u>
HIV Prevention Activities - Non-Governmental Organization Based	93.939	N/A	<u>358,726</u>
Healthy Start Initiative	93.926	N/A	156,579
Passed through New Jersey Department of Health and Senior Services:			
Healthy Start Initiative	93.926	DFHS14OTR004	<u>273,871</u>
Total - CFDA 93.926			<u>430,450</u>
Passed through City of Newark, Department of Child and Family Well-Being:			
HIV Emergency Relief Project Grants	93.914	7R2-P-061709	<u>374,286</u>
Passed through New Jersey Institute of Technology:			
ARRA - Health Information Technology Regional Extension Centers Program	93.718	90RC0037/01	<u>3,500</u>
Total Federal awards			<u>9,430,865</u>

Newark Community Health Centers, Inc.

**Schedule of Expenditures of Federal and State Awards
Year Ended December 31, 2014**

Federal Grantor/ Pass-through Grantor/Program Title	Pass-through Grantor's Number	Total Expenditures
State awards:		
State of New Jersey Department of Health and Senior Services:		
HIV/AIDS Health Education Risk Reduction/Prevention (2013-14)	AIDS14HER009	\$ 139,647
HIV/AIDS Health Education Risk Reduction/Prevention (2014-15)	AIDS15HER014	118,135
HIV/AIDS Care and Treatment 2014	AIDS14CTR013	48,410
HIV/AIDS Care and Treatment 2015	AIDS15CTR022	48,790
Sandy Targeted Outreach Grant	SSBG14TAR006	96,273
Refugee Health Services	EPID14REF002	53,339
Preventive and Primary Care Program	04-2090-CHS-N-0	*
Total State awards		<u>504,594</u>
Total Federal and state awards		<u><u>\$9,935,459</u></u>

* See Note 4 of Notes to Schedule of Expenditures of Federal and State Awards.

See Notes to Schedule of Expenditures of Federal and State Awards.

Newark Community Health Centers, Inc.

Notes to Schedule of Expenditures of Federal and State Awards December 31, 2014

Note 1 - General information

The accompanying schedule of expenditures of Federal and state awards (the "Schedule") presents the activities in all Federal and state awards of Newark Community Health Centers, Inc. ("NCHC") and is presented using the accrual basis of accounting. The Federal awards were provided primarily by the U.S. Department of Health and Human Services, while the state awards were provided by the New Jersey Department of Health and Senior Services.

Note 2 - Basis of presentation

The accompanying Schedule has been prepared in the format required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and State of New Jersey, Department of Treasury, Office of Management and Budget Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid. The purpose of this Schedule is to present a summary of those grant activities of NCHC for the year ended December 31, 2014, which have been financed, in part, by the Federal and state governments. For the purpose of this Schedule, Federal and state awards include any assistance provided by Federal and state governments directly or indirectly in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, direct appropriations and other noncash assistance.

Note 3 - Relationship to the financial statements

Federal and state expenditures are reported on the statements of functional expenses as program services. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the Schedule due to program expenditures exceeding grant or contract budget limitations or agency matching or in-kind contributions which are not included in the statement of activities and changes in net assets.

Note 4 - Preventive and primary care program

NCHC contracted with the State of New Jersey Department of Health to provide health and medical services to the uninsured population under the Preventive and Primary Care Program. This letter of agreement pays NCHC a fixed amount per visit regardless of the actual costs incurred. During the year ended December 31, 2014, the amount earned and recognized as net revenue under this letter of agreement for the contract period July 1, 2013 to June 30, 2014 was \$867,489 and for the contract period July 1, 2014 to June 30, 2015 was \$780,225.

Revenue for this program is included in patient services revenue in the basic financial statements. Allowances are calculated based on expected cash collections.

Newark Community Health Centers, Inc.

Schedule of Disbursements by Grant
Year Ended December 31, 2014

Award: Outreach and Education 2014
Grant Year: July 1, 2013 - June 30, 2014
Grant Number: DFHS14OTR004

Category	(Unaudited) Final Budget	Prior Year Expenditures	Current Year Expenditures	Final Program Expenditures	Questioned Costs
Personnel:					
Salaries	\$ 313,784	\$ 101,555	\$ 212,229	\$ 313,784	\$ -
Fringe benefits	78,446	25,389	53,057	78,446	-
Total personnel	392,230	126,944	265,286	392,230	-
Other cost categories:					
Facility costs	2,114	761	795	1,556	-
Office expense and related costs	1,492	870	982	1,852	-
Program expense and related costs	6,598	571	6,006	6,577	-
Travel, conference and meetings	1,413	830	802	1,632	-
Total direct costs	403,847	129,976	273,871	403,847	-
Indirect costs	-	-	-	-	-
Total costs	403,847	129,976	273,871	403,847	-
Less program income	-	-	-	-	-
Net total costs	<u>\$ 403,847</u>	<u>\$ 129,976</u>	<u>\$ 273,871</u>	<u>\$ 403,847</u>	<u>\$ -</u>

See Independent Auditor's Report.

Newark Community Health Centers, Inc.

Schedule of Disbursements by Grant
Year Ended December 31, 2014

Award: HIV/AIDS Health Education Risk Reduction/Prevention Services 2014
Grant Year: July 1, 2013 - June 30, 2014
Grant Number: AIDS14HER009

Category	(Unaudited) Final Budget	Prior Year Expenditures	Current Year Expenditures	Final Program Expenditures	Questioned Costs
Personnel:					
Salaries	\$ 171,188	\$ 84,589	\$ 86,599	\$ 171,188	\$ -
Fringe benefits	41,085	21,906	19,179	41,085	-
Total personnel	212,273	106,495	105,778	212,273	-
Other cost categories:					
Office expenses and related costs	2,440	-	2,440	2,440	-
Program expense and related costs	41,506	15,885	25,621	41,506	-
Travel, conference and meetings	7,281	1,473	5,808	7,281	-
Total direct costs	263,500	123,853	139,647	263,500	-
Indirect costs	-	-	-	-	-
Total costs	263,500	123,853	139,647	263,500	-
Less program income	-	-	-	-	-
Net total costs	\$ 263,500	\$ 123,853	\$ 139,647	\$ 263,500	\$ -

Newark Community Health Centers, Inc.

**Schedule of Disbursements by Grant
Year Ended December 31, 2014**

Award: HIV/AIDS Health Education Risk Reduction/Prevention Services 2015
 Grant Year: July 1, 2014 - June 30, 2015
 Grant Number: AIDS15HER014

Category	(Unaudited) Final Budget	Current Year Expenditures	Final Program Expenditures	Questioned Costs
Personnel:				
Salaries	\$ 174,700	\$ 84,313	\$ 84,313	\$ -
Fringe benefits	41,928	20,662	20,662	-
Total personnel	216,628	104,975	104,975	-
Other cost categories:				
Office expenses and related costs	2,040	1,547	1,547	-
Program expense and related costs	38,506	9,401	9,401	-
Travel, conference and meetings	6,326	2,212	2,212	-
Total direct costs	263,500	118,135	118,135	-
Indirect costs	-	-	-	-
Total costs	263,500	118,135	118,135	-
Less program income	-	-	-	-
Net total costs	<u>\$ 263,500</u>	<u>\$ 118,135</u>	<u>\$ 118,135</u>	<u>\$ -</u>

See Independent Auditor's Report.

Newark Community Health Centers, Inc.

Schedule of Disbursements by Grant
Year Ended December 31, 2014

Award: HIV/AIDS Care and Treatment 2014
Grant Year: July 1, 2013 - June 30, 2014
Grant Number: AIDS14CTR013

Category	(Unaudited) Final Budget	Prior Year Expenditures	Current Year Expenditures	Final Program Expenditures	Questioned Costs
Personnel:					
Salaries	\$ 53,750	\$ 27,002	\$ 26,748	\$ 53,750	\$ -
Fringe benefits	12,900	7,263	5,637	12,900	-
Total personnel	66,650	34,265	32,385	66,650	-
Other cost categories:					
Office expense and related costs	270	-	270	270	-
Program expense and related costs	32,200	16,445	15,755	32,200	-
Travel, conference and meetings	-	-	-	-	-
Total direct costs	99,120	50,710	48,410	99,120	-
Indirect costs	-	-	-	-	-
Total costs	99,120	50,710	48,410	99,120	-
Less program income	-	-	-	-	-
Net total costs	\$ 99,120	\$ 50,710	\$ 48,410	\$ 99,120	\$ -

Newark Community Health Centers, Inc.

Schedule of Disbursements by Grant
Year Ended December 31, 2014

Award: HIV/AIDS Care and Treatment 2015
Grant Year: July 1, 2014 - June 30, 2015
Grant Number: AIDS153CTR022

Category	(Unaudited) Final Budget	Current Year Expenditures	Final Program Expenditures	Questioned Costs
Personnel:				
Salaries	\$ 53,750	\$ 27,197	\$ 27,197	\$ -
Fringe benefits	12,900	6,704	6,704	-
Total personnel	66,650	33,901	33,901	-
Other cost categories:				
Office expense and related costs	270	-	-	-
Program expense and related costs	32,200	14,889	14,889	-
Travel, conference and meetings	-	-	-	-
Total direct costs	99,120	48,790	48,790	-
Indirect costs	-	-	-	-
Total costs	99,120	48,790	48,790	-
Less program income	-	-	-	-
Net total costs	<u>\$ 99,120</u>	<u>\$ 48,790</u>	<u>\$ 48,790</u>	<u>\$ -</u>

See Independent Auditor's Report.

Newark Community Health Centers, Inc.

Schedule of Disbursements by Grant
Year Ended December 31, 2014

Award: Sandy Targeted Outreach Grant
Grant Year: July 1, 2014 - June 30, 2015
Grant Number: SSBG14TAR006

Category	(Unaudited) Final Budget	Current Year Expenditures	Final Program Expenditures	Questioned Costs
Personnel:				
Salaries	\$ 130,450	\$ 62,864	\$ 62,864	\$ -
Fringe benefits	32,613	15,716	15,716	-
Total personnel	163,063	78,580	78,580	-
Other cost categories:				
Office expense and related costs	4,272	2,411	2,411	-
Program expense and related costs	16,000	6,948	6,948	-
Facility cost	16,665	8,334	8,334	-
Total direct costs	200,000	96,273	96,273	-
Indirect costs	-	-	-	-
Total costs	200,000	96,273	96,273	-
Less program income	-	-	-	-
Net total costs	<u>\$ 200,000</u>	<u>\$ 96,273</u>	<u>\$ 96,273</u>	<u>\$ -</u>

See Independent Auditor's Report.

Newark Community Health Centers, Inc.

**Schedule of Disbursements by Grant
Year Ended December 31, 2014**

Award: Refugee Grant 2014
 Grant Year: January 1, 2014 - September 30, 2014
 Grant Number: EP1D14REF002

Category	(Unaudited) Final Budget	Current Year Expenditures	Final Program Expenditures	Questioned Costs
Personnel:				
Salaries	\$ 42,210	\$ 42,210	\$ 42,210	\$ -
Fringe benefits	10,130	10,130	10,130	-
Total personnel	52,340	52,340	52,340	-
Other cost categories:				
Office expense and related costs	604	604	604	-
Program expense and related costs	395	395	395	-
Facility cost	-	-	-	-
Total direct costs	53,339	53,339	53,339	-
Indirect costs	-	-	-	-
Total costs	53,339	53,339	53,339	-
Less program income	-	-	-	-
Net total costs	<u>\$ 53,339</u>	<u>\$ 53,339</u>	<u>\$ 53,339</u>	<u>\$ -</u>

Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors
Newark Community Health Centers, 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 Newark Community Health Centers, Inc. ("NCHC"), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets, 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 June 22, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NCHC'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 NCHC's internal control. Accordingly, we do not express an opinion on the effectiveness of NCHC'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 NCHC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

New York, New York
June 22, 2015

Independent Auditor's Report on Compliance for Each Major Federal and State Program, and Report on Internal Control over Compliance Required by OMB Circular A-133 and New Jersey OMB Circular 04-04

To the Board of Directors
Newark Community Health Centers, Inc.

Report on Compliance for Each Major Federal and State Program

We have audited Newark Community Health Centers, Inc.'s ("NCHC") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement and State of New Jersey, Department of Treasury OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid that could have a direct and material effect on each of its major Federal and state programs for the year ended December 31, 2014. NCHC's major Federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of NCHC's major Federal and state 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; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and State of New Jersey, Department of Treasury, OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and OMB Circular A-133 and New Jersey OMB Circular 04-04 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 or state program occurred. An audit includes examining, on a test basis, evidence about NCHC'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 and state program. However, our audit does not provide a legal determination of NCHC's compliance.

Opinion on Each Major Federal and State Program

In our opinion, NCHC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal and state programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of NCHC 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 NCHC's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal and state 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 and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, 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 NCHC'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 or state 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 or state 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 or state 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 and New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.



New York, New York
June 22, 2015

Newark Community Health Centers, Inc.

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2014**

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's reports issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal and State Awards:

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

Identification of major programs:

<u>CFDA and State Number(s)</u>	<u>Name of Federal and State Program</u>
	U.S. Department of Health and Human Services: Health Centers Cluster:
93.224	Consolidated Health Centers
93.527	Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program
93.703	ARRA - Grants to Health Center Programs
93.918	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease
93.939	HIV Prevention Activities – Non-governmental Organization Based
	State of New Jersey Department of Health and Senior Services:
04-2090-CHS-N-0	Preventive and Primary Care Program

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

Auditee qualified as low-risk auditee? yes no

Newark Community Health Centers, Inc.

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2014**

Section II - Financial Statement Findings

None

Section III - Federal and State Award Findings and Questioned Costs

None

Newark Community Health Centers, Inc.

**Status of Prior Year's Findings
Year Ended December 31, 2014**

There were no findings noted in the prior year.