



**GREATER NEW BEDFORD
COMMUNITY HEALTH CENTER, INC.**

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

GREATER NEW BEDFORD COMMUNITY HEALTH CENTER, INC.

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SEPTEMBER 30, 2014 AND 2013**

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Where Every Client is a Valued Client

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

Independent Auditor's Report

To the Board of Directors of
Greater New Bedford Community Health Center, Inc.:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards for the year ended September 30, 2014, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2014, on our consideration of the Health Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health Center's internal control over financial reporting and compliance.

Alexander, Brown, Penning & Co., P.C.

Boston, Massachusetts
December 16, 2014

GREATER NEW BEDFORD COMMUNITY HEALTH CENTER, INC.

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2014 AND 2013

| <u>ASSETS</u> | 2014 | | | 2013 | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-----------------------------------|----------------------|----------------------|-----------------------------------|----------------------|
| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>TOTAL</u> | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>TOTAL</u> |
| CURRENT ASSETS: | | | | | | |
| Cash | \$ 2,663,611 | \$ 94,806 | \$ 2,758,417 | \$ 2,058,259 | \$ 149,734 | \$ 2,207,993 |
| Patient accounts receivable, net of allowance for uncollectible accounts of approximately \$389,000 and \$421,000 at September 30, 2014 and 2013, respectively | 1,671,216 | - | 1,671,216 | 1,715,148 | - | 1,715,148 |
| Contracts, grants and other receivables | 134,445 | - | 134,445 | 100,666 | - | 100,666 |
| Prepaid expenses and other | 61,089 | - | 61,089 | 318,046 | - | 318,046 |
| Total current assets | <u>4,530,361</u> | <u>94,806</u> | <u>4,625,167</u> | <u>4,192,119</u> | <u>149,734</u> | <u>4,341,853</u> |
| CONSTRUCTION IN PROGRESS | <u>1,196,885</u> | <u>-</u> | <u>1,196,885</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| PROPERTY AND EQUIPMENT: | | | | | | |
| Land | 359,716 | - | 359,716 | 359,716 | - | 359,716 |
| Buildings and improvements | 13,953,936 | - | 13,953,936 | 13,903,889 | - | 13,903,889 |
| Furniture, fixtures and equipment | 758,985 | - | 758,985 | 547,322 | - | 547,322 |
| Computer equipment | 1,085,238 | - | 1,085,238 | 1,067,898 | - | 1,067,898 |
| | 16,157,875 | - | 16,157,875 | 15,878,825 | - | 15,878,825 |
| Less - accumulated depreciation | 4,774,628 | - | 4,774,628 | 4,168,752 | - | 4,168,752 |
| Net property and equipment | <u>11,383,247</u> | <u>-</u> | <u>11,383,247</u> | <u>11,710,073</u> | <u>-</u> | <u>11,710,073</u> |
| FINANCING FEES, net | <u>48,413</u> | <u>-</u> | <u>48,413</u> | <u>28,642</u> | <u>-</u> | <u>28,642</u> |
| Total assets | <u>\$ 17,158,906</u> | <u>\$ 94,806</u> | <u>\$ 17,253,712</u> | <u>\$ 15,930,834</u> | <u>\$ 149,734</u> | <u>\$ 16,080,568</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | | | | | |
| CURRENT LIABILITIES: | | | | | | |
| Current portion of long-term debt | \$ 97,788 | \$ - | \$ 97,788 | \$ 87,735 | \$ - | \$ 87,735 |
| Accounts payable | 538,956 | - | 538,956 | 484,187 | - | 484,187 |
| Accrued expenses | 623,922 | - | 623,922 | 667,673 | - | 667,673 |
| Deferred revenue | - | - | - | 11,200 | - | 11,200 |
| Total current liabilities | <u>1,260,666</u> | <u>-</u> | <u>1,260,666</u> | <u>1,250,795</u> | <u>-</u> | <u>1,250,795</u> |
| LONG-TERM DEBT, net of current portion | <u>3,432,643</u> | <u>-</u> | <u>3,432,643</u> | <u>2,631,531</u> | <u>-</u> | <u>2,631,531</u> |
| Total liabilities | <u>4,693,309</u> | <u>-</u> | <u>4,693,309</u> | <u>3,882,326</u> | <u>-</u> | <u>3,882,326</u> |
| NET ASSETS: | | | | | | |
| Unrestricted: | | | | | | |
| Operating | 3,388,116 | - | 3,388,116 | 3,029,059 | - | 3,029,059 |
| Property and equipment | 9,077,481 | - | 9,077,481 | 9,019,449 | - | 9,019,449 |
| Temporarily restricted | - | 94,806 | 94,806 | - | 149,734 | 149,734 |
| Total net assets | <u>12,465,597</u> | <u>94,806</u> | <u>12,560,403</u> | <u>12,048,508</u> | <u>149,734</u> | <u>12,198,242</u> |
| Total liabilities and net assets | <u>\$ 17,158,906</u> | <u>\$ 94,806</u> | <u>\$ 17,253,712</u> | <u>\$ 15,930,834</u> | <u>\$ 149,734</u> | <u>\$ 16,080,568</u> |

The accompanying notes are an integral part of these statements.

GREATER NEW BEDFORD COMMUNITY HEALTH CENTER, INC.

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

| | 2014 | | | 2013 | | |
|-----------------------------------------------|---------------|---------------------------|---------------|---------------|---------------------------|---------------|
| | UNRESTRICTED | TEMPORARILY RESTRICTED | TOTAL | UNRESTRICTED | TEMPORARILY RESTRICTED | TOTAL |
| OPERATING REVENUE AND SUPPORT: | | | | | | |
| Net patient service revenue | \$ 18,176,272 | \$ - | \$ 18,176,272 | \$ 15,487,046 | \$ - | \$ 15,487,046 |
| Contracts and grants: | | | | | | |
| Private | 126,914 | 91,332 | 218,246 | 43,441 | 220,937 | 264,378 |
| Public | 3,082,719 | 169,798 | 3,252,517 | 3,696,788 | 209,699 | 3,906,487 |
| Gifts, contributions, special event and other | 253,184 | - | 253,184 | 292,023 | - | 292,023 |
| Net assets released from purpose restrictions | 316,058 | (316,058) | - | 368,791 | (368,791) | - |
| Total operating revenue and support | 21,955,147 | (54,928) | 21,900,219 | 19,888,089 | 61,845 | 19,949,934 |
| OPERATING EXPENSES: | | | | | | |
| Program services: | | | | | | |
| Adult Medicine | 3,542,335 | - | 3,542,335 | 3,450,221 | - | 3,450,221 |
| Pediatrics | 1,514,459 | - | 1,514,459 | 1,446,888 | - | 1,446,888 |
| Urgent Care | 1,222,213 | - | 1,222,213 | 999,192 | - | 999,192 |
| Dental | 1,207,527 | - | 1,207,527 | 1,141,032 | - | 1,141,032 |
| Women, Infant and Children | 697,409 | - | 697,409 | 696,293 | - | 696,293 |
| HIV and Infectious Diseases | 1,352,970 | - | 1,352,970 | 1,269,354 | - | 1,269,354 |
| Other Enabling Services | 4,055,254 | - | 4,055,254 | 3,221,982 | - | 3,221,982 |
| Women's Health | 1,145,164 | - | 1,145,164 | 1,068,662 | - | 1,068,662 |
| Patient and Clinical Support | 2,183,233 | - | 2,183,233 | 2,025,276 | - | 2,025,276 |
| Total program services | 16,920,564 | - | 16,920,564 | 15,318,900 | - | 15,318,900 |
| Supporting services: | | | | | | |
| General and Administrative | 3,481,306 | - | 3,481,306 | 3,146,362 | - | 3,146,362 |
| Facilities | 1,400,722 | - | 1,400,722 | 1,425,005 | - | 1,425,005 |
| Total supporting services | 4,882,028 | - | 4,882,028 | 4,571,367 | - | 4,571,367 |
| Total operating expenses | 21,802,592 | - | 21,802,592 | 19,890,267 | - | 19,890,267 |
| Changes in net assets from operations | 152,555 | (54,928) | 97,627 | (2,178) | 61,845 | 59,667 |
| NON-OPERATING REVENUE (EXPENSE): | | | | | | |
| Capital grants | 265,300 | - | 265,300 | - | - | - |
| Loss on disposal of equipment | (766) | - | (766) | - | - | - |
| Total non-operating revenue (expense) | 264,534 | - | 264,534 | - | - | - |
| Changes in net assets | 417,089 | (54,928) | 362,161 | (2,178) | 61,845 | 59,667 |
| NET ASSETS, beginning of year | 12,048,508 | 149,734 | 12,198,242 | 12,050,686 | 87,889 | 12,138,575 |
| NET ASSETS, end of year | \$ 12,465,597 | \$ 94,806 | \$ 12,560,403 | \$ 12,048,508 | \$ 149,734 | \$ 12,198,242 |

The accompanying notes are an integral part of these statements.

GREATER NEW BEDFORD COMMUNITY HEALTH CENTER, INC.

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

| | <u>2014</u> | <u>2013</u> |
|----------------------------------------------------------------------------------------------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Changes in net assets | \$ 362,161 | \$ 59,667 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 704,280 | 736,543 |
| Bad debts | 145,695 | 122,496 |
| Loss on disposal of equipment | 766 | - |
| Capital grants | (265,300) | - |
| Changes in operating assets and liabilities: | | |
| Patient accounts receivable | (101,763) | (337,041) |
| Contracts, grants and other receivables | (33,779) | 5,371 |
| Prepaid expenses and other | 256,957 | (29,811) |
| Accounts payable | 34,136 | 146,928 |
| Accrued expenses | (43,751) | 97,276 |
| Deferred revenue | (11,200) | (4,688) |
| | <u>1,048,202</u> | <u>796,741</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Increase in construction in progress | (1,176,252) | - |
| Acquisition of property and equipment | (373,404) | (105,554) |
| | <u>(1,549,656)</u> | <u>(105,554)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Capital grants | 265,300 | - |
| Proceeds on long-term debt | 900,000 | - |
| Principal payments on long-term debt | (88,835) | (85,988) |
| Financing fees | (24,587) | - |
| | <u>1,051,878</u> | <u>(85,988)</u> |
| NET INCREASE IN CASH | 550,424 | 605,199 |
| CASH, beginning of year | <u>2,207,993</u> | <u>1,602,794</u> |
| CASH, end of year | <u>\$ 2,758,417</u> | <u>\$ 2,207,993</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid for interest | <u>\$ 91,643</u> | <u>\$ 89,802</u> |
| Cost basis of property and equipment disposals | <u>\$ 94,354</u> | <u>\$ -</u> |
| Construction in process acquired through accounts payable | <u>\$ 20,633</u> | <u>\$ -</u> |

The accompanying notes are an integral part of these statements.

GREATER NEW BEDFORD COMMUNITY HEALTH CENTER, INC.

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

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

| | 2014 | | | | | | | | | | | 2013 | | |
|-------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|-------------------------------------|-----------------------------------|-------------------------------|---------------------|---------------------------------------|------------------------------|---------------------------------------|------------------|----------------------|----------------------|
| | PROGRAM SERVICES | | | | | | | | | SUPPORTING SERVICES | | | | |
| | ADULT MEDICINE | PEDIATRICS | URGENT CARE | DENTAL | WOMEN, INFANT AND CHILDREN | HIV AND INFECTIOUS DISEASES | OTHER ENABLING SERVICES | WOMEN'S HEALTH | PATIENT AND CLINICAL SUPPORT | TOTAL PROGRAM SERVICES | GENERAL AND ADMINIS- TRATIVE | FACILITIES | TOTAL | TOTAL |
| PAYROLL, CONTRACTED SERVICES AND RELATED COSTS: | | | | | | | | | | | | | | |
| Payroll | \$ 2,815,768 | \$ 1,166,687 | \$ 906,445 | \$ 844,276 | \$ 532,495 | \$ 1,065,142 | \$ 675,258 | \$ 846,223 | \$ 1,561,856 | \$ 10,414,150 | \$ 1,850,782 | \$ - | \$ 12,264,932 | \$ 11,701,614 |
| Payroll taxes and benefits | 451,657 | 199,007 | 132,867 | 158,139 | 133,239 | 115,303 | 295,828 | 158,294 | 472,464 | 2,116,798 | 374,590 | - | 2,491,388 | 2,268,616 |
| Contracted services | 9,982 | 58,618 | - | 1,888 | 2,544 | 16,227 | 47,453 | - | - | 136,712 | 592,951 | - | 729,663 | 657,242 |
| Professional development | 18,611 | 11,315 | 6,723 | 3,020 | - | 9,576 | 184 | 7,898 | 4,410 | 61,737 | 68,941 | - | 130,678 | 118,798 |
| Total payroll, contracted services and related costs | <u>3,296,018</u> | <u>1,435,627</u> | <u>1,046,035</u> | <u>1,007,323</u> | <u>668,278</u> | <u>1,206,248</u> | <u>1,018,723</u> | <u>1,012,415</u> | <u>2,038,730</u> | <u>12,729,397</u> | <u>2,887,264</u> | <u>-</u> | <u>15,616,661</u> | <u>14,746,270</u> |
| OCCUPANCY: | | | | | | | | | | | | | | |
| Depreciation and amortization | - | - | - | - | - | - | - | - | - | - | - | 704,280 | 704,280 | 736,543 |
| Equipment rental and maintenance | 12,416 | 16,045 | 1,014 | 16,094 | 1,700 | 3,038 | 33,232 | 5,180 | 37,484 | 126,203 | - | 185,986 | 312,189 | 265,410 |
| Utilities | - | - | - | 10,395 | - | - | - | - | - | 10,395 | - | 171,742 | 182,137 | 167,276 |
| Property insurance | - | - | - | - | - | - | - | - | - | - | - | 96,979 | 96,979 | 54,958 |
| Mortgage interest | - | - | - | - | - | - | - | - | - | - | - | 91,643 | 91,643 | 89,802 |
| Repairs and maintenance | 1,775 | - | - | 1,095 | 1,943 | - | - | 128 | - | 4,941 | - | 81,162 | 86,103 | 123,958 |
| Total occupancy | <u>14,191</u> | <u>16,045</u> | <u>1,014</u> | <u>27,584</u> | <u>3,643</u> | <u>3,038</u> | <u>33,232</u> | <u>5,308</u> | <u>37,484</u> | <u>141,539</u> | <u>-</u> | <u>1,331,792</u> | <u>1,473,331</u> | <u>1,437,947</u> |
| PROGRAM COSTS: | | | | | | | | | | | | | | |
| Pharmacy supplies | 135,865 | 6,905 | 8,949 | 843 | - | 56,049 | 2,826,689 | 95,067 | - | 3,130,367 | - | - | 3,130,367 | 2,293,670 |
| Medical supplies | 46,182 | 26,491 | 14,586 | 93,780 | - | 9,604 | 144,444 | 22,776 | - | 357,863 | - | - | 357,863 | 301,909 |
| Program supplies and support | 12,367 | 4,681 | 1,672 | 8,231 | 17,581 | 26,070 | 23,141 | 725 | 19,975 | 114,443 | 94,798 | - | 209,241 | 169,133 |
| Patient transportation | 1,366 | 1,548 | 1,156 | - | - | - | 20 | 64 | - | 4,154 | 11,520 | - | 15,674 | 4,382 |
| Total program costs | <u>195,780</u> | <u>39,625</u> | <u>26,363</u> | <u>102,854</u> | <u>17,581</u> | <u>91,723</u> | <u>2,994,294</u> | <u>118,632</u> | <u>19,975</u> | <u>3,606,827</u> | <u>106,318</u> | <u>-</u> | <u>3,713,145</u> | <u>2,769,094</u> |
| OTHER EXPENSES: | | | | | | | | | | | | | | |
| Professional fees | 10,242 | 15,394 | 3,262 | 62,406 | - | 881 | 582 | 1,126 | 6,097 | 99,990 | 241,696 | - | 341,686 | 303,953 |
| Other | 4,716 | 775 | 2,514 | - | - | 44,670 | 4,727 | 1,669 | - | 59,071 | 97,703 | - | 156,774 | 150,894 |
| Bad debts | 1,644 | - | 141,813 | - | - | 1,657 | 480 | 101 | - | 145,695 | - | - | 145,695 | 122,496 |
| Telephone | 10,652 | 2,690 | 294 | 594 | 259 | 345 | 39 | 2,042 | 6,046 | 22,961 | - | 68,930 | 91,891 | 118,028 |
| Printing, postage and copying | 2,266 | 50 | 88 | - | 90 | 250 | 128 | 293 | 167 | 3,332 | 88,483 | - | 91,815 | 97,351 |
| Consultants | - | - | - | - | - | - | - | - | 63,754 | 63,754 | 10,608 | - | 74,362 | 63,758 |
| Office supplies | 6,061 | 3,504 | 371 | 6,766 | 2,558 | 2,377 | 2,750 | 1,482 | 8,739 | 34,608 | 11,877 | - | 46,485 | 44,863 |
| Travel and conferences | 765 | 749 | 459 | - | 5,000 | 1,781 | 299 | 2,096 | 2,241 | 13,390 | 30,186 | - | 43,576 | 29,192 |
| Interest and bank charges | - | - | - | - | - | - | - | - | - | - | 7,171 | - | 7,171 | 6,421 |
| Total other expenses | <u>36,346</u> | <u>23,162</u> | <u>148,801</u> | <u>69,766</u> | <u>7,907</u> | <u>51,961</u> | <u>9,005</u> | <u>8,809</u> | <u>87,044</u> | <u>442,801</u> | <u>487,724</u> | <u>68,930</u> | <u>999,455</u> | <u>936,956</u> |
| Total expenses before facilities and patient and clinical support allocations | <u>3,542,335</u> | <u>1,514,459</u> | <u>1,222,213</u> | <u>1,207,527</u> | <u>697,409</u> | <u>1,352,970</u> | <u>4,055,254</u> | <u>1,145,164</u> | <u>2,183,233</u> | <u>16,920,564</u> | <u>3,481,306</u> | <u>1,400,722</u> | <u>21,802,592</u> | <u>19,890,267</u> |
| FACILITIES ALLOCATION | 211,495 | 79,664 | 67,800 | 66,608 | 84,606 | 90,528 | 124,774 | 241,741 | 126,850 | 1,094,066 | 306,656 | (1,400,722) | - | - |
| PATIENT AND CLINICAL SUPPORT ALLOCATION | 693,025 | 346,512 | 415,815 | 300,311 | - | 254,109 | 23,101 | 277,210 | (2,310,083) | - | - | - | - | - |
| Total expenses | <u>\$ 4,446,855</u> | <u>\$ 1,940,635</u> | <u>\$ 1,705,828</u> | <u>\$ 1,574,446</u> | <u>\$ 782,015</u> | <u>\$ 1,697,607</u> | <u>\$ 4,203,129</u> | <u>\$ 1,664,115</u> | <u>\$ -</u> | <u>\$ 18,014,630</u> | <u>\$ 3,787,962</u> | <u>\$ -</u> | <u>\$ 21,802,592</u> | <u>\$ 19,890,267</u> |

The accompanying notes are an integral part of these statements.

GREATER NEW BEDFORD COMMUNITY HEALTH CENTER, INC.

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

| | PROGRAM SERVICES | | | | | | | | | SUPPORTING SERVICES | | | |
|-------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|-------------------------------------|-----------------------------------|-------------------------------|---------------------|---------------------------------------|------------------------------|---------------------------------------|------------------|----------------------|
| | ADULT MEDICINE | PEDIATRICS | URGENT CARE | DENTAL | WOMEN, INFANT AND CHILDREN | HIV AND INFECTIOUS DISEASES | OTHER ENABLING SERVICES | WOMEN'S HEALTH | PATIENT AND CLINICAL SUPPORT | TOTAL PROGRAM SERVICES | GENERAL AND ADMINIS- TRATIVE | FACILITIES | TOTAL |
| PAYROLL, CONTRACTED SERVICES AND RELATED COSTS: | | | | | | | | | | | | | |
| Payroll | \$ 2,732,312 | \$ 1,151,521 | \$ 795,955 | \$ 819,623 | \$ 528,773 | \$ 951,499 | \$ 662,607 | \$ 818,574 | \$ 1,444,583 | \$ 9,905,447 | \$ 1,796,167 | \$ - | \$ 11,701,614 |
| Payroll taxes and benefits | 498,715 | 172,574 | 104,150 | 158,844 | 135,251 | 169,542 | 146,107 | 145,565 | 486,612 | 2,017,360 | 251,256 | - | 2,268,616 |
| Contracted services | 12,193 | 50,851 | 552 | 13,081 | 2,352 | 13,094 | 60,209 | - | 1,359 | 153,691 | 503,551 | - | 657,242 |
| Professional development | 15,925 | 2,975 | 7,919 | 1,754 | - | 13,030 | 170 | 6,236 | 30 | 48,039 | 70,759 | - | 118,798 |
| Total payroll, contracted services and related costs | <u>3,259,145</u> | <u>1,377,921</u> | <u>908,576</u> | <u>993,302</u> | <u>666,376</u> | <u>1,147,165</u> | <u>869,093</u> | <u>970,375</u> | <u>1,932,584</u> | <u>12,124,537</u> | <u>2,621,733</u> | <u>-</u> | <u>14,746,270</u> |
| OCCUPANCY: | | | | | | | | | | | | | |
| Depreciation and amortization | - | - | - | - | - | - | - | - | - | - | - | 736,543 | 736,543 |
| Equipment rental and maintenance | 11,469 | 7,380 | 896 | 15,084 | 480 | 2,452 | 32,536 | 5,181 | 19,780 | 95,258 | - | 170,152 | 265,410 |
| Utilities | - | - | - | 8,421 | - | 391 | - | - | - | 8,812 | - | 158,464 | 167,276 |
| Property insurance | - | - | - | - | - | - | - | - | - | - | - | 54,958 | 54,958 |
| Mortgage interest | - | - | - | - | - | - | - | - | - | - | - | 89,802 | 89,802 |
| Repairs and maintenance | 2,674 | 1,096 | 1,096 | 3,550 | 1,751 | - | 1,556 | 1,096 | - | 12,819 | - | 111,139 | 123,958 |
| Total occupancy | <u>14,143</u> | <u>8,476</u> | <u>1,992</u> | <u>27,055</u> | <u>2,231</u> | <u>2,843</u> | <u>34,092</u> | <u>6,277</u> | <u>19,780</u> | <u>116,889</u> | <u>-</u> | <u>1,321,058</u> | <u>1,437,947</u> |
| PROGRAM COSTS: | | | | | | | | | | | | | |
| Pharmacy supplies | 84,482 | 2,903 | 1,115 | 383 | - | 29,978 | 2,117,597 | 57,024 | - | 2,293,482 | 188 | - | 2,293,670 |
| Medical supplies | 30,913 | 20,529 | 12,788 | 74,437 | - | 643 | 145,481 | 16,725 | 391 | 301,907 | 2 | - | 301,909 |
| Program supplies and support | 5,653 | 2,626 | 725 | 327 | 20,330 | 40,125 | 36,285 | 4,426 | 18,226 | 128,723 | 40,410 | - | 169,133 |
| Patient transportation | 1,117 | 912 | 1,397 | 4 | - | - | 11 | 41 | - | 3,482 | 900 | - | 4,382 |
| Total program costs | <u>122,165</u> | <u>26,970</u> | <u>16,025</u> | <u>75,151</u> | <u>20,330</u> | <u>70,746</u> | <u>2,299,374</u> | <u>78,216</u> | <u>18,617</u> | <u>2,727,594</u> | <u>41,500</u> | <u>-</u> | <u>2,769,094</u> |
| OTHER EXPENSES: | | | | | | | | | | | | | |
| Professional fees | 10,123 | 4,060 | 4,178 | 38,049 | - | 2,360 | 833 | 1,373 | 2,130 | 63,106 | 240,847 | - | 303,953 |
| Other | 1,533 | 231 | 1,110 | - | - | 39,373 | 381 | 1,225 | - | 43,853 | 105,946 | 1,095 | 150,894 |
| Bad debts | 25,186 | 20,933 | 66,226 | 135 | - | 2,938 | 1,722 | 5,356 | - | 122,496 | - | - | 122,496 |
| Telephone | 8,373 | 3,182 | 358 | 558 | - | - | 709 | 1,996 | - | 15,176 | - | 102,852 | 118,028 |
| Printing, postage and copying | 2,834 | 1,221 | 32 | 232 | 320 | 434 | 452 | 246 | 612 | 6,383 | 90,968 | - | 97,351 |
| Consultants | - | - | - | - | - | - | 12,500 | - | 37,250 | 49,750 | 14,008 | - | 63,758 |
| Office supplies | 5,830 | 3,207 | 537 | 6,522 | 1,894 | 707 | 1,914 | 1,820 | 12,464 | 34,895 | 9,968 | - | 44,863 |
| Travel and conferences | 889 | 687 | 158 | 28 | 5,142 | 2,788 | 912 | 1,778 | 1,839 | 14,221 | 14,971 | - | 29,192 |
| Interest and bank charges | - | - | - | - | - | - | - | - | - | - | 6,421 | - | 6,421 |
| Total other expenses | <u>54,768</u> | <u>33,521</u> | <u>72,599</u> | <u>45,524</u> | <u>7,356</u> | <u>48,600</u> | <u>19,423</u> | <u>13,794</u> | <u>54,295</u> | <u>349,880</u> | <u>483,129</u> | <u>103,947</u> | <u>936,956</u> |
| Total expenses before facilities and patient and clinical support allocations | <u>3,450,221</u> | <u>1,446,888</u> | <u>999,192</u> | <u>1,141,032</u> | <u>696,293</u> | <u>1,269,354</u> | <u>3,221,982</u> | <u>1,068,662</u> | <u>2,025,276</u> | <u>15,318,900</u> | <u>3,146,362</u> | <u>1,425,005</u> | <u>19,890,267</u> |
| FACILITIES ALLOCATION | 309,106 | 64,509 | 43,006 | 68,595 | 129,018 | 102,139 | 128,050 | 86,012 | 215,032 | 1,145,467 | 279,538 | (1,425,005) | - |
| PATIENT AND CLINICAL SUPPORT ALLOCATION | 537,674 | 336,046 | 380,852 | 268,837 | - | 268,837 | 201,628 | 246,434 | (2,240,308) | - | - | - | - |
| Total expenses | <u>\$ 4,297,001</u> | <u>\$ 1,847,443</u> | <u>\$ 1,423,050</u> | <u>\$ 1,478,464</u> | <u>\$ 825,311</u> | <u>\$ 1,640,330</u> | <u>\$ 3,551,660</u> | <u>\$ 1,401,108</u> | <u>\$ -</u> | <u>\$ 16,464,367</u> | <u>\$ 3,425,900</u> | <u>\$ -</u> | <u>\$ 19,890,267</u> |

The accompanying notes are an integral part of these statements.

GREATER NEW BEDFORD COMMUNITY HEALTH CENTER, INC.

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

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS

Greater New Bedford Community Health Center, Inc. (the Health Center) is a nonprofit organization incorporated in 1981, which provides comprehensive medical, dental, community, and social services to residents of New Bedford, Massachusetts, and its surrounding communities.

NONPROFIT STATUS

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

SIGNIFICANT ACCOUNTING POLICIES

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

Property and Equipment and Depreciation

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

| | |
|-----------------------------------|---------------|
| Buildings and improvements | 20 - 40 years |
| Furniture, fixtures and equipment | 3 - 7 years |
| Computer equipment | 3 - 5 years |

Depreciation expense was \$699,464 and \$732,136 for the years ended September 30, 2014 and 2013, respectively.

Construction in progress as of September 30, 2014, was for the acquisition and renovation of a condo to expand the Health Center's services. These costs will be depreciated during fiscal year 2015 when the renovations are complete and the condo is placed in service.

Allowance for Uncollectible Accounts

The Health Center records patient service receivables net of allowances for uncollectible accounts and contractual allowances. These allowances are recorded based upon reimbursement rates from third-party payors, historical collections on third-party receivables, as well as other factors.

Fair Value Measurements

ASC Topic, *Fair Value Measurements*, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance only applies when the fair value measurement of assets and liabilities is required or permitted. The Health Center has determined that none of its financial or nonfinancial assets or liabilities is measured at fair value; therefore, the disclosure requirements do not currently apply.

GREATER NEW BEDFORD COMMUNITY HEALTH CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013
(Continued)**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contracts are recorded over the contract period as services are provided. Unrestricted grants, contributions and gifts are recorded as revenue when received or unconditionally pledged. Restricted grants, contributions and gifts are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs are incurred or time restrictions or program restrictions have lapsed. All other revenues are recorded when earned.

Patient service revenue is recorded as services are provided. The Health Center establishes fees for services to patients based upon the patient's ability to pay for these services. Net patient service revenue reflects the amounts to be collected after provisions for contractual allowances and free care. Contractual allowances are accrued on an estimated basis in the period the related services are rendered. Net patient service revenue is adjusted as required based on final settlements. Contractual allowances were approximately \$3,636,000 and \$2,797,000 for the years ended September 30, 2014 and 2013, respectively.

The Health Center has a policy of providing free care services to patients who are unable to pay. Such patients are identified based upon financial information obtained from the patient prior to services being rendered. The Health Center provided approximately \$2,743,000 and \$2,978,000 of free care during the years ended September 30, 2014 and 2013, respectively. The approximate cost of providing these services was \$3,183,000 and \$3,116,000 for the years ended September 30, 2014 and 2013, respectively. The cost of providing free care was calculated by multiplying the percentage of gross free care charges to gross patient charges by the total cost of providing patient services. The Health Center adjudicates claims for these services; therefore, charges for free care have been included in net patient service revenue in the accompanying statements of activities and changes in net assets. The Health Center billed a third-party payor approximately \$2,221,000 and \$2,522,000 during the years ended September 30, 2014 and 2013, respectively, for free care services provided to eligible patients.

Advertising

The Health Center expenses advertising costs as they are incurred. Advertising expense totaled \$10,011 and \$12,039 for the years ended September 30, 2014 and 2013, respectively, and are included in other expense in the accompanying statements of functional expenses.

Financing Fees and Amortization

Financing fees have been capitalized and amortized on the straight-line basis over the term of the note payable agreements of ten years (see Note 4).

Expense Allocation

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

GREATER NEW BEDFORD COMMUNITY HEALTH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013
(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services

The Commonwealth provides vouchers to recipients of the Health Center's Women, Infant and Children program. The value of these vouchers for fiscal years 2014 and 2013 was \$2,584,759 and \$3,046,407, respectively. These amounts are not reflected in the accompanying financial statements.

Estimates

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

Income Taxes

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

Subsequent Events

Subsequent events have been evaluated through December 16, 2014, which is the date the financial statements are available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

(2) **SPECIAL EVENT REVENUE**

Special event revenue consists of the following for the years ended September 30:

| | <u>2014</u> | <u>2013</u> |
|----------------------------|-----------------|-----------------|
| Special event revenue | \$32,171 | \$36,548 |
| Less - direct expenses | <u>22,602</u> | <u>23,529</u> |
| Special event revenue, net | <u>\$ 9,569</u> | <u>\$13,019</u> |

Special event revenue is included in gifts, contributions, special event and other in the accompanying statements of activities and changes in net assets. Direct expenses for the special event are included in other under general and administrative expenses in the accompanying statements of functional expenses for the years ended September 30, 2014 and 2013.

GREATER NEW BEDFORD COMMUNITY HEALTH CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013
(Continued)**

(3) NET ASSETS

Unrestricted Net Assets

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

Operating net assets represent funds available to carry on the operations of the Health Center.

Property and equipment net assets reflect and account for the activities relating to the Health Center's property and equipment and financing fees, net of related debt.

Temporarily Restricted Net Assets

The Health Center receives contributions and grants which are designated by donors for specific purposes. These contributions are recorded as temporarily restricted net assets until they are expended for their designated purposes or time restrictions have lapsed.

Temporarily restricted net assets at September 30, 2014 and 2013, of \$94,806 and \$149,734, respectively, were purpose restricted.

(4) FINANCING FEES

Financing fees in the accompanying statements of financial position are net of accumulated amortization of \$20,240 and \$15,424 at September 30, 2014 and 2013, respectively. Amortization expense in fiscal years 2014 and 2013 was \$4,816 and \$4,407, respectively (see Note 1).

(5) LONG-TERM DEBT

The Health Center has a mortgage note payable to a bank, bearing interest at a fixed rate of 3.21%, through March, 2017. Thereafter, interest will be adjusted to 2.65% above the "Three-Year Classic Advance Rate" (the Index Rate) as published by the Federal Home Loan Bank Boston (FHLBB) every year until March, 2020 (the maturity date). Principal and interest are due in monthly installments of \$14,666 through March, 2017, based upon a twenty-five year amortization schedule. The monthly payment amount will be adjusted in April, 2017. This note is secured by a first mortgage on land, buildings and improvements, as well as an assignment of rents, furniture, fixtures and equipment. This note is cross-collateralized and cross-defaulted with the note payable to a bank described in Note 6. Interest expense for this note was \$86,948 and \$89,802 for the years ended September 30, 2014 and 2013, respectively, and is included in mortgage interest expense in the accompanying statements of functional expenses. If the Health Center prepays this note before March 4, 2017, there is a 10% penalty on the amount of principal prepaid. The principal balance outstanding on this note was \$2,630,431 and \$2,719,266 as of September 30, 2014 and 2013, respectively.

The Health Center is required to comply with certain covenants as described in the note payable agreements. These covenants include compliance with certain New Markets Tax Credits (NMTC) financing requirements. The Health Center was in compliance with these covenants at September 30, 2014 and 2013.

GREATER NEW BEDFORD COMMUNITY HEALTH CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013
(Continued)**

(5) LONG-TERM DEBT (Continued)

In July, 2014, the Health Center entered into a construction loan agreement with a bank that allows for borrowings up to \$1,000,000. The term of the loan is ten years at an initial interest rate of 2.67% through July 1, 2021 (the Adjustment Date). Thereafter, interest will be adjusted to 2.5% above the Index Rate as published by the FHLBB every year until July 1, 2024 (the Maturity Date). During the first twelve months, interest-only payments will be due. Beginning August 1, 2015, and thereafter, principal and interest are due in monthly installments of \$5,400 through the Adjustment Date, based on a twenty-year amortization schedule. The monthly payment will be adjusted on July 1, 2021. This note is secured by a first mortgage on the land, buildings and improvements on certain property, as well as an assignment of rents, furniture, fixtures and equipment. This note is cross-collateralized and cross-defaulted with the note payable to a bank described in Note 6. Interest expense for this note was \$4,695 for the year ended September 30, 2014, and is included in mortgage interest expense in the accompanying statements of functional expenses. If the Health Center prepays this note before July 1, 2021, there is a 10% penalty on the amount of principal prepaid. The principal balance outstanding on the loan is \$900,000 at September 30, 2014.

Aggregate maturities of long-term debt over the next five years are as follows:

| | |
|------|-----------|
| 2015 | \$ 97,788 |
| 2016 | \$133,208 |
| 2017 | \$137,386 |
| 2018 | \$141,695 |
| 2019 | \$146,142 |

(6) NOTE PAYABLE TO A BANK

The Health Center has a \$1,000,000 line of credit agreement with a bank. Borrowings under the agreement are due on demand and interest is payable monthly at the prime rate (3.25% at September 30, 2014 and 2013). The line of credit is cross-collateralized and cross-defaulted with another note payable (see Note 5). The line of credit is secured by a first mortgage on land and a building, as well as a first security interest in substantially all assets of the Health Center. The Health Center is required to have thirty consecutive days with no amounts outstanding under this agreement. The line of credit is subject to annual review each February. There were no amounts outstanding at September 30, 2014 and 2013.

(7) CONTINGENCIES

The Health Center, from time-to-time, is the defendant in lawsuits. It is management's belief that the Health Center will prevail in these lawsuits. Accordingly, no amounts have been reflected in the accompanying financial statements for any potential liability resulting from these lawsuits. Management believes the Health Center is adequately insured through the Federal Torts Claims Act, malpractice insurance, and the Board of Directors' liability insurance.

(8) RENTAL INCOME

The Health Center rents space under lease agreements having initial terms from five to twenty-five years and expiring at various dates through December, 2031. Rental income totaled \$91,231 and \$63,676 for the years ended September 30, 2014 and 2013, respectively, and is included in gifts, contributions, special event and other in the accompanying statements of activities and changes in net assets.

GREATER NEW BEDFORD COMMUNITY HEALTH CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013
(Continued)**

(8) RENTAL INCOME (Continued)

Minimum annual rentals expected to be received from these agreements over the next five years are as follows:

| <u>Year Ending September 30</u> | <u>Amount</u> |
|-------------------------------------|---------------|
| 2015 | \$11,928 |
| 2016 | \$12,288 |
| 2017 | \$12,288 |
| 2018 | \$12,288 |
| 2019 | \$12,660 |

(9) EMPLOYEE BENEFIT PLANS

The Health Center maintains a deferred annuity plan under IRC Section 403(b), whereby eligible employees may voluntarily contribute a percentage up to 100% of pre-tax annual compensation, subject to annual limitations including a catch up provision for those age 50 years or older. The Health Center may make a discretionary matching contribution, which is determined annually. Participants are eligible to receive the Health Center's discretionary match once the participant has provided a year of service with the Health Center (1,000 hours of service) and is 21 years of age. The Health Center did not make any contributions to the plan for the year ended September 30, 2014. The Health Center elected to make contributions of approximately \$120,000 for the year ended September 30, 2013.

(10) CONCENTRATIONS

The Health Center maintains its cash balances and certificate of deposit in a Massachusetts bank. The Federal Deposit Insurance Corporation (FDIC) insures balances up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Health Center has not experienced any losses in the account. The Health Center believes it is not exposed to any significant credit risk on its operating cash balance.

The Health Center had the following concentrations of payers within patient services accounts receivable and net patient service revenue as of and for the years ended September 30:

| | <u>2014</u> | | <u>2013</u> | |
|--------------------------|---------------------------------------------------------|--------------------------------------------|---------------------------------------------------------|--------------------------------------------|
| | <u>Patient Services Accounts Receivable</u> | <u>Net Patient Service Revenue</u> | <u>Patient Services Accounts Receivable</u> | <u>Net Patient Service Revenue</u> |
| Medicaid | 20% | 32% | 18% | 25% |
| Medicare | - % | - % | - % | 12% |
| BMC Health Net | - % | 14% | - % | 15% |
| Health Safety Net | 16% | 11% | 27% | 11% |
| Neighborhood Health Plan | - % | - % | 10% | - % |

GREATER NEW BEDFORD COMMUNITY HEALTH CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013
(Continued)**

(11) FUNDING

The Health Center receives a significant portion of its total operating revenue and support (approximately 9% and 11% in fiscal years 2014 and 2013, respectively) from the U.S. Department of Health and Human Services. The Health Center also receives a significant portion of its total operating revenues and support (approximately 6% in both fiscal years 2014 and 2013) from the Massachusetts Department of Public Health (DPH) under unit-rate and cost reimbursable contracts. These reimbursements are subject to possible final audit determination by these government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Health Center as of September 30, 2014 and 2013, or on the changes in its net assets for the years then ended.

Approximately 100% of the Health Center's contracts, grants and other receivables at September 30, 2014 and 2013, are due from DPH.

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

Primary Care Payment Reform Initiative

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

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

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

During fiscal year 2014, the Health Center received CPCP payments of approximately \$2,105,000, which are included in net patient service revenue in the accompanying statements of activities and changes in net assets. The Health Center is eligible for a Hold Harmless settlement if the Health Center's CPCP payments are less than what the reimbursement has been under traditional fee for service reimbursement from MassHealth, as defined in the PCPRI contract. The Hold Harmless settlements are determined on a quarterly basis beginning with the period ended June 30, 2014. The Health Center does not anticipate a Hold Harmless settlement at September 30, 2014.

GREATER NEW BEDFORD COMMUNITY HEALTH CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013
(Continued)**

(11) FUNDING (Continued)

Primary Care Payment Reform Initiative (Continued)

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

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

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

The Health Center could owe CPCP payments back to MassHealth if it has received payments for patients not seen by the Health Center within eighteen months of the end of each year. The Health Center has estimated a settlement owed to MassHealth of approximately \$44,000 as of September 30, 2014.

(12) RECLASSIFICATIONS

Certain amounts in the September 30, 2013 financial statements have been reclassified to conform with the September 30, 2014 presentation.

GREATER NEW BEDFORD COMMUNITY HEALTH CENTER, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

| <u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM CLUSTER OR TITLE</u> | <u>FEDERAL CFDA NUMBER</u> | <u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u> | <u>FEDERAL EXPENDITURES</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|-------------------------------------------------------|---------------------------------|
| <u>U.S. Department of Health and Human Services</u> | | | |
| Direct Funding: | | | |
| Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) (Health Centers Cluster) | 93.224 | N/A | \$1,083,604 |
| Affordable Care Act (ACA) Grants for Capital Development in Health Centers | 93.526 | N/A | 250,000 |
| Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease | 93.918 | N/A | 834,250 |
| Passed-through Commonwealth of Massachusetts, Department of Public Health: | | | |
| HIV Care Formula Grants | 93.917 | 4943MM32001 | 130,470 |
| Affordable Care Act: Childhood Obesity Research Demonstration | 93.535 | 4123MM3W116 | 74,276 |
| Special Projects of National Significance | 93.928 | 4943MM32001 | <u>12,264</u> |
| Total U.S. Department of Health and Human Services | | | <u>2,384,864</u> |
| <u>U.S. Department of Agriculture</u> | | | |
| Passed-through Commonwealth of Massachusetts, Department of Public Health: | | | |
| Special Supplemental Nutrition Program for Women, Infants, and Children (WIC Program) | 10.557 | 3500J10601011047 | *2,584,759 |
| Special Supplemental Nutrition Program for Women, Infants, and Children (WIC Program) | 10.557 | 3502M037009 | <u>526,378</u> |
| Total U.S. Department of Agriculture/CFDA 10.557 | | | <u>3,111,137</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$5,496,001</u> |

GREATER NEW BEDFORD COMMUNITY HEALTH CENTER, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

(Continued)

NOTE 1: BASIS OF PRESENTATION

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

NOTE 2: WIC VOUCHERS

*This represents the WIC voucher amount. For purposes of the accompanying financial statements, the related revenue and expense amounts have been shown net.

Where Every Client is a Valued Client

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

Independent Auditor's Report

To the Board of Directors of
Greater New Bedford Community Health Center, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Greater New Bedford Community Health Center, Inc. (the Health Center), which comprise the statement of financial position as of September 30, 2014, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Health Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Alexander, Brown, Fenning & Co., P.C.".

Boston, Massachusetts
December 16, 2014

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

Independent Auditor's Report

To the Board of Directors of
Greater New Bedford Community Health Center, Inc.:

Report on Compliance for Each Major Federal Program

We have audited Greater New Bedford Community Health Center, Inc.'s (the Health Center) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Health Center's major Federal programs for the year ended September 30, 2014. The Health Center's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



Boston, Massachusetts
December 16, 2014

GREATER NEW BEDFORD COMMUNITY HEALTH CENTER

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

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

| <u>Program or Cluster Title</u> | <u>Federal CFDA Number</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) (Health Centers Cluster) | 93.224 |
| Special Supplemental Nutrition Program for Women, Infants, and Children (WIC Program) | 10.557 |
| HIV Care Formula Grants | 93.917 |

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

Auditee qualified as low-risk auditee? X Yes No

GREATER NEW BEDFORD COMMUNITY HEALTH CENTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SEPTEMBER 30, 2014

(Continued)

II. FINANCIAL STATEMENT FINDINGS

None

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None