

El Proyecto del Barrio



**Audited Consolidated Financial Statements and
Other Financial Information of
El Proyecto del Barrio, Inc.
*As of and for the years ended September 30, 2014 and 2013
with Report of Independent Auditors***

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REPORT OF INDEPENDENT AUDITORS 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	15

Report of Independent Auditors

Board of Directors
El Proyecto del Barrio, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of El Proyecto del Barrio, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of September 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of El Proyecto del Barrio, Inc. as of September 30, 2014 and 2013, and the consolidated 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2015 on our consideration of El Proyecto del Barrio, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering El Proyecto del Barrio, Inc.'s internal control over financial reporting and compliance.

Vasquez + Company LLP

**Los Angeles, California
January 23, 2015**

El Proyecto del Barrio, Inc.
Consolidated Statements of Financial Position

		September 30	
		2014	2013
ASSETS			
Current assets			
Cash and cash equivalents	\$	8,370,745	\$ 6,953,601
Restricted cash		479,787	479,068
Contracts receivable		1,689,062	1,390,647
Accounts receivable, net of allowance for doubtful accounts of \$2,456,000 in 2014 (\$2,241,000 in 2013)		2,808,593	2,481,358
Other receivable		-	15,000
Investment in traded securities		910,552	-
Prepaid expenses and other current assets		201,016	208,640
Total current assets		14,459,755	11,528,314
Noncurrent assets			
Property and equipment - net		8,117,878	8,449,829
Assets limited as to use		262,901	173,066
Total noncurrent assets		8,380,779	8,622,895
Total assets	\$	22,840,534	\$ 20,151,209
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and other accrued liabilities	\$	495,832	\$ 920,068
Accrued payroll and related liabilities		2,010,336	1,650,030
Claims payable		2,242,939	341,307
Deferred revenue		48,353	-
Current portion of loans payable		412,315	5,492,397
Total current liabilities		5,209,775	8,403,802
Noncurrent liabilities			
Loans payable, net of current portion		4,937,776	-
Total noncurrent liabilities		4,937,776	-
Total liabilities		10,147,551	8,403,802
Net assets			
Unrestricted		12,213,196	11,268,339
Temporarily restricted		479,787	479,068
Total net assets		12,692,983	11,747,407
Total liabilities and net assets	\$	22,840,534	\$ 20,151,209

See notes to consolidated financial statements.

El Proyecto del Barrio, Inc.
Consolidated Statements of Activities

	Years ended September 30	
	2014	2013
Changes in unrestricted net assets:		
Revenues		
Patient service revenue, net of contractual allowances and discounts	\$ 16,635,280	\$ 16,229,473
Provision for bad debts	(215,000)	(265,000)
Net patient service revenue less provision for bad debts	16,420,280	15,964,473
Government grants and contracts	8,758,086	7,404,610
Managed care contracts	8,930,554	5,333,434
Donations	5,000	885
Other	189,891	119,309
Total unrestricted revenues	34,303,811	28,822,711
Expenses		
Program expenses		
Medical services	23,462,772	17,636,887
Drug abuse	710,818	650,749
Job training	1,534,695	1,576,722
Youth services	2,423,164	1,911,176
HIV/AIDS	1,031,536	925,749
Child care services	819,494	780,775
General administration	3,376,475	2,691,720
Total expenses	33,358,954	26,173,778
Change in unrestricted net assets	944,857	2,648,933
Unrestricted net assets - beginning of year	11,268,339	8,619,406
Unrestricted net assets - end of year	12,213,196	11,268,339
Temporarily restricted net assets		
Change in restricted net assets	719	(778)
Temporarily restricted net assets - beginning of year	479,068	479,846
Temporarily restricted net assets - end of year	479,787	479,068
Total net assets	\$ 12,692,983	\$ 11,747,407

See notes to consolidated financial statements.

El Proyecto del Barrio, Inc.
Consolidated Statements of Cash Flows

	Years ended September 30	
	2014	2013
Cash flows from operating activities		
Change in net assets	\$ 945,576	\$ 2,648,155
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	569,242	521,522
Provision for bad debts	215,000	265,000
Unrealized loss on investments	14,097	-
(Increase) decrease in operating assets:		
Contracts receivable	(298,415)	163,611
Accounts receivable	(542,235)	(749,441)
Other receivable	15,000	5,380
Prepaid expenses and other current assets	7,624	(122,980)
Assets limited as to use	(89,835)	173
Increase (decrease) in operating liabilities:		
Accounts payable and other accrued liabilities	(424,236)	158,443
Accrued payroll and related liabilities	360,306	522,975
Claims payable	1,901,632	38,039
Deferred revenue	48,353	-
Net cash provided by operating activities	2,722,109	3,450,877
Cash flows from investing activities		
Decrease (increase) in restricted cash	(719)	778
Investment in traded securities	(924,649)	-
Acquisition of property and equipment	(237,291)	(329,415)
Net cash used in investing activities	(1,162,659)	(328,637)
Cash flows from financing activities		
Proceeds from loan refinancing	128,435	-
Repayments of loans payable	(270,741)	(234,521)
Net cash used in financing activities	(142,306)	(234,521)
Net change in cash and cash equivalents	1,417,144	2,887,719
Cash and cash equivalents at beginning of year	6,953,601	4,065,882
Cash and cash equivalents at end of year	\$ 8,370,745	\$ 6,953,601
Supplemental disclosure of cashflow information		
Interest paid during the year	\$ 352,485	\$ 408,276

See notes to consolidated financial statements.

NOTE 1 ORGANIZATION PROFILE

El Proyecto del Barrio, Inc. (El Proyecto), a California non-profit public benefit corporation was originally formed in 1971 to provide drug treatment and rehabilitation, and has since expanded to provide a variety of services, to the medically under-served Latino Communities. It has a Federal 330 Designation and a federally qualified health center status. El Proyecto provides clinic-based primary medical care, drug rehabilitation and prevention programs as well as job training and placement services to the under-served low income population of the San Fernando Valley. It currently serves persons of all economic levels, among which is a large group of Spanish speaking and indigent people who are not accustomed to accessing medical services.

El Proyecto currently operates and provides primary health care in the following facilities: three fully licensed clinics located in Arleta, Canoga Park and Asuza. In addition to primary health care, other services provided include the HIV outpatient medical services, HIV/AIDS outreach and prevention programs, perinatal services for substance abusing mothers in recovery and their children, drug rehabilitation and prevention services, employment training, job placement and two youth centers serving at risk youth ages 14-21, a single point of contact for accessing age-specific and development services.

El Proyecto also operates a child development program under contract with the Los Angeles Universal Preschool Program (LAUP).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accounts of El Proyecto and its wholly-owned subsidiaries are maintained on the accrual basis of accounting for financial reporting purposes.

Principles of Consolidation

The consolidated financial statements include the accounts of El Proyecto del Barrio, Inc. and its wholly-owned subsidiaries: Arleta Properties LLC, Winnetka-Sherman Way Properties LLC and El Proyecto Child Development Services LLC (collectively referred to herein as El Proyecto). All material intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimation include: valuation allowances on receivables, useful lives for property and equipment, estimates for claims incurred but not reported. Actual results could differ from those estimates.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

El Proyecto considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Unrestricted Net Assets

Contributions and allocations, the uses of which are not restricted by donors or grantors, are recorded in unrestricted net assets.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by El Proyecto has been limited by donors to a specific time period or for a specific purpose. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statements of operations and changes in net assets as net assets released from restrictions for operations. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Fair Value Measurements

Generally accepted accounting principles, which define fair value, establish a framework for measuring fair value and disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Assets and liabilities are measured at fair value using a three-level fair value hierarchy that ranks the quality and reliability of the information used to measure fair value. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.

Level 2: Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reporting date.

Level 3: Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All assets and liabilities for which the fair value measurement is based on significant unobservable inputs or instruments which trade infrequently and therefore have little or no price transparency are classified as Level 3.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in Traded Securities

Investment in traded securities with readily determinable fair values are measured at fair value, based upon publicly quoted market prices or quotations of similar securities (Level 1).

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair value at date of donation. Provision for depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Furniture and equipment	3 - 7 years
Buildings and improvements	7 - 30 years
Leasehold improvements	Life of lease or estimated useful life, whichever is shorter

Property acquired with federal funds is considered to be owned by El Proyecto while used in the program(s) for which it was purchased or in other future authorized programs. Its disposition as well as the ownership of any proceeds therefrom is subject to federal regulations. As of September 30, 2014 and 2013, the property and equipment include reversionary assets with a net book value of approximately \$0.

Revenue Recognition

Revenue from cost reimbursable grants and contracts is recorded to the extent of expenses incurred applicable to the grant or contract. Any difference between expenses incurred and the total funds received (not to exceed the grant or contract maximum) is recorded as a receivable or an advance whichever is applicable. Revenue from other grants is recognized on an accrual basis as earned according to the provisions of the grant. Revenue from donations and fund raising events is recognized on an accrual basis according to the conditions of the promise.

Income Taxes

El Proyecto is a nonprofit corporation exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d) and is generally not subject to federal or state income taxes.

Generally accepted accounting principles prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. El Proyecto's primary tax positions relate to its continued qualification as a tax-exempt organization and whether there are unrelated business income activities that would be taxable. As of and for the years ended September 30, 2014 and 2013, El Proyecto had no material unrecognized tax benefits or tax penalties or interest.

El Proyecto's federal and state income tax returns for 2010 and subsequent years are subject to examination by regulatory agencies. Tax returns are subject to examination generally for three and four years after they were filed for federal and state, respectively.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

El Proyecto's wholly owned subsidiaries are limited liability companies and are not taxpaying entities for federal income tax purposes. Arleta Properties LLC and Winnetka Sherman Way Properties LLC are also exempt from state income taxes under the California Revenue and Taxation Code Section 23701(d). Child Development Services LLC is not exempt from state income tax and is subject to \$800 minimum tax by the California Franchise Tax Board. This has been reflected as child care services program expenses in the accompanying statements of activities.

NOTE 3 INVESTMENTS

El Proyecto invests in U.S. Equity, International Equity and Fixed Income ETF Mutual Funds. These investments were accounted for at fair value on a recurring basis as of September 30 at level 1 within the fair value hierarchy:

	2014	2013
US Equity Funds	\$ 293,544	\$ -
US Treasury ETF	274,852	-
US Bonds	224,213	-
Internation Equity Funds	93,524	-
Emerging Markets Bonds	24,419	-
	\$ 910,552	\$ -

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment as of September 30 is composed of:

	2014	2013
Land	\$ 1,971,533	\$ 1,971,533
Buildings and improvements	9,921,665	9,844,096
Furniture and equipment	3,370,617	3,292,855
Construction in progress	104,460	22,500
	15,368,275	15,130,984
Less accumulated depreciation and amortization	7,250,397	6,681,155
	\$ 8,117,878	\$ 8,449,829

All real and personal property owned by El Proyecto are pledged as collateral as referenced in Note 5. Provision for depreciation and amortization for the years ended September 30, 2014 and 2013, amounted to \$569,242 and \$521,522, respectively.

NOTE 5 LOANS PAYABLE

El Proyecto's loans payable as of September 30 is composed of:

	2014	2013
Raza Development Fund		
Mortgage loan amounting to \$1.74 million (2013 - \$2.12 million), interest at 6% (2013 - 7.26%), payable in 10 years (2013 - 7 years with balloon payment in 2014 and extended through December 2023 with the refinancing). The debt is collateralized by a deed of trust on the real property located at 8902 Woodman Avenue, Arleta California (Arleta property).	\$ 1,743,000	\$ 1,719,923
Mortgage loan amounting to \$3.82 million (2013 - \$4.65 million), interest at 6% (2013 - 7.26%), payable in 10 years (2013 - 7 years with balloon payment in 2014 and extended through December 2023 with the refinancing). The debt is collateralized by a deed of trust on the real property located at 20800 Sherman Way, Winnetka, California (Winnetka Property).	<u>3,607,091</u>	<u>3,772,474</u>
	<u>\$ 5,350,091</u>	<u>\$ 5,492,397</u>

Interest on long-term debt charged as expense amounted to \$319,260 and \$406,648 respectively, for the years ended September 30, 2014 and 2013.

On December 30, 2013, El Proyecto obtained the approval for the refinancing of the above Raza Development Fund mortgage loans for another 10 years with interest rate of 6% fixed. The combined refinanced loans amounted to \$5,559,500.

The following reflects the combined future principal payments of the refinanced loans:

Year ending September 30,	Amount
2015	\$ 412,315
2016	476,253
2017	505,627
2018	536,813
2019	569,922
2020-2023	<u>2,849,161</u>
	<u>\$ 5,350,091</u>

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of \$479,787 (2013 - \$479,068) contribution received from the County of Los Angeles for the renovation of, and purchase of equipment for, the Azusa Health Center.

NOTE 7 COMMITMENTS

El Proyecto occupies certain facilities and utilizes equipment under both month-to-month and long-term lease agreements expiring through June 2019. Future minimum rental payments under these non-cancelable leases are as follows:

Year ending September 30,	Amount
2015	\$ 894,164
2016	646,304
2017	582,084
2018	598,778
2019	455,328
	<u>\$ 3,176,658</u>

Total facilities rent and equipment lease, including month-to-month and long-term leases, amounted to approximately \$878,460 and \$34,338 in 2014, respectively, and \$845,829 and \$32,148 in 2013, respectively.

NOTE 8 LINE OF CREDIT

El Proyecto has an available line of credit with a bank providing for borrowings up to \$1,000,000, which expires and can be renewed on or before April 29, 2015. Interest is payable monthly at the bank's base rate plus 0.75% (2013 - 0.75%). There were no drawings on the line as of September 30, 2014 and 2013.

NOTE 9 PATIENT FEES AND MANAGED CARE CONTRACTS

Net patient fee revenues are reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Payment agreements have been made with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Premiums are due monthly (calculated on a prospectively determined capitated rate) and are recognized as revenue during the period in which El Proyecto is obligated to provide services to its members.

Operating expenses incurred in the provision of health services are accrued in the period in which services are provided to patients based in part on estimates, including accrual for medical services provided but not yet reported to El Proyecto. Incurred but not reported (IBNR) costs are costs associated with health care service incurred during a financial reporting period but not reported to the health care organization until after the financial reporting date. El Proyecto's estimated IBNR claims are determined based on claim lag studies that track and measure date of service against date of payment.

NOTE 10 PENSION PLAN

On October 1, 1998, El Proyecto established a Tax Sheltered Annuity Plan under Section 403(b) of the Internal Revenue Code. El Proyecto matched 100% of an employee's salary contribution up to 4% of a participant's compensation. This matching contribution requires 0-6 years of service for vesting purposes with an employee being 100% vested after 6 years of service. Employees who are eligible must be a full-time regular employee who routinely works 40 hours or more per week and must have completed one continuous year of full time employment with El Proyecto. Effective July 1, 2009, El Proyecto terminated the discretionary employer contribution.

NOTE 11 CONCENTRATION OF RISK

El Proyecto maintains its cash accounts with certain banks. Balances with these banks at times may exceed federally insured limits. El Proyecto has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. El Proyecto's deposit accounts with banks as of September 30 exceeded the FDIC's insured limit of \$250,000 by \$8,490,653 in 2014 and \$7,647,742 in 2013.

For the years ended September 30, 2014 and 2013, El Proyecto received its total revenues from the following sources:

	2014	2013
Federal and state grants and contracts	26%	26%
Patient fees (primarily Medi-Cal and Medicare)	48%	55%
Managed care contracts	26%	19%

NOTE 12 CONTINGENCIES

El Proyecto has received local, state and federal funds for specific purposes that are subject to review and audit by the contracting agencies. Although such audits could generate expenditure disallowances under terms of the grants or contracts, management believes that any required reimbursements will not be material.

NOTE 13 COMPLIANCE WITH DEBT COVENANTS

Under the terms of the loan agreements with certain lenders, El Proyecto is required to meet certain coverage ratios, among other requirements. El Proyecto met all the coverage ratio requirements for the years ended September 30, 2014 and 2013.

NOTE 14 SUBSEQUENT EVENTS

El Proyecto has evaluated events or transactions that occurred subsequent to September 30, 2014 through January 23, 2015, the date the accompanying consolidated financial statements were available to be issued, for potential recognition or disclosure in the consolidated financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying consolidated financial statements.

El Proyecto del Barrio, Inc.
Consolidated Schedule of Functional Expenses
Year ended September 30, 2014

	Program Expenses							Total Expenses
	Medical Services	Drug Abuse	Job Training	Youth Services	HIV/AIDS	Child Care Services	General Administration	
Employee compensation	\$ 9,587,980	\$ 331,824	\$ 608,262	\$ 1,566,428	\$ 543,767	\$ 381,040	\$ 2,042,264	\$ 15,061,565
Employee benefits	3,006,861	92,059	151,606	330,623	174,349	147,574	397,979	4,301,051
Contracted services	7,507,227	935	25,846	109,443	61,325	12,171	358,668	8,075,615
Laboratory services	395,494	33,843	60	-	25,895	75	269	455,636
Equipment rental, repairs and maintenance	181,478	2,980	7,994	9,097	3,812	121	2,032	207,514
Other facilities expenses	139,067	16,046	2,721	6,110	7,052	11,693	23,806	206,495
Insurance	458,445	7,246	3,590	8,374	6,001	11,147	85,411	580,214
Postage/printing	118,048	7,435	11,250	15,901	13,998	4,891	24,318	195,841
Rent	11,006	152,555	252,675	167,265	89,874	125,598	79,487	878,460
Staff development	33,459	11,221	1,046	12,188	3,387	1,913	63,444	126,658
Subscription/dues/licenses	199,156	144	320	7	4,757	5,040	19,268	228,692
Medical supplies	251,341	-	-	-	7,230	-	247	258,818
Pharmacy supplies	70,223	-	-	-	9,569	-	-	79,792
Health promotion and education	563	-	5,666	11,921	11,221	42,126	-	71,497
Supplies	153,260	8,691	4,979	19,328	23,939	10,390	21,225	241,812
Telephone	251,617	12,003	34,329	25,313	22,134	9,916	30,616	385,928
Travel	30,936	7,022	4,783	10,525	7,000	214	9,990	70,470
Utilities	165,260	19,346	19,398	31,062	11,239	15,373	23,231	284,909
Nonmajor equipment	157,667	7,373	-	2,990	2,235	-	21,259	191,524
Depreciation and amortization	468,062	-	-	17,329	-	-	83,851	569,242
Interest, bank charges and others	260,120	-	15	-	-	-	88,943	349,078
Client expenses	11,266	95	397,155	79,260	2,752	40,212	167	530,907
Other miscellaneous expenses	4,236	-	3,000	-	-	-	-	7,236
	<u>\$ 23,462,772</u>	<u>\$ 710,818</u>	<u>\$ 1,534,695</u>	<u>\$ 2,423,164</u>	<u>\$ 1,031,536</u>	<u>\$ 819,494</u>	<u>\$ 3,376,475</u>	<u>\$ 33,358,954</u>

El Proyecto del Barrio, Inc.
Consolidated Schedule of Functional Expenses
Year ended September 30, 2013

	Program Expenses						General Administration	Total Expenses
	Medical Services	Drug Programs	Job training programs	Youth Services	HIV/AIDS Programs	Child Care Services		
Employee compensation	\$ 8,146,768	\$ 306,215	\$ 606,920	\$ 1,172,786	\$ 477,946	\$ 344,937	\$ 1,594,737	\$ 12,650,309
Employee benefits	2,461,584	94,964	150,208	257,307	132,962	121,732	110,295	3,329,053
Contracted services	4,155,644	1,063	19,791	92,268	44,355	19,659	405,218	4,738,000
Laboratory services	524,951	22,351	-	30	32,840	45	1,374	581,590
Equipment rental, repairs and maintenance	124,955	637	10,662	9,229	3,856	7,021	916	157,277
Other facilities expenses	142,783	9,835	3,002	7,663	10,513	18,254	15,321	207,371
Insurance	288,137	6,956	3,999	10,181	5,724	10,751	85,157	410,905
Postage/printing	99,872	6,008	6,727	8,606	15,556	3,957	22,222	162,948
Rent	8,100	148,616	245,917	162,789	88,505	124,060	67,842	845,829
Staff development	31,077	556	852	16,922	2,414	2,596	63,903	118,319
Subscription/dues/licenses	70,956	11,575	2,000	38	2,740	8,992	27,308	123,609
Medical supplies	179,370	-	-	-	13,482	-	-	192,852
Pharmacy supplies	57,243	-	-	-	12,746	-	-	69,989
Health promotion and education	1,449	-	3,061	10,585	17,271	42,927	-	75,292
Supplies	133,591	5,622	7,235	12,697	21,135	15,817	19,398	215,494
Telephone	203,559	11,590	30,376	27,074	20,358	9,077	55,962	357,997
Travel	25,099	5,628	1,994	8,645	4,500	383	7,348	53,596
Utilities	153,718	19,133	18,977	34,576	11,394	15,972	19,907	273,676
Nonmajor equipment	95,210	-	-	-	3,325	3,905	614	103,054
Depreciation and amortization	413,837	-	-	18,095	-	-	89,591	521,522
Interest, bank charges and other	307,720	-	-	-	-	15	103,883	411,619
Client expenses	11,044	-	465,001	61,684	4,128	30,675	-	572,533
Other miscellaneous expenses	220	-	-	-	-	-	724	944
	<u>\$ 17,636,887</u>	<u>\$ 650,749</u>	<u>\$ 1,576,722</u>	<u>\$ 1,911,176</u>	<u>\$ 925,749</u>	<u>\$ 780,775</u>	<u>\$ 2,691,720</u>	<u>\$ 26,173,778</u>

**Report of Independent Auditors 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***

**Board of Directors
El Proyecto del Barrio, 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 consolidated financial statements of El Proyecto del Barrio, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2014, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 23, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered El Proyecto del Barrio, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of El Proyecto del Barrio, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of El Proyecto del Barrio, Inc.'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 El Proyecto del Barrio, Inc.'s consolidated 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 consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Vasquez + Company LLP

**Los Angeles, California
January 23, 2015**



www.vasquezcpa.com

Vasquez & Company LLP has over 40-years experience in performing audit, accounting & consulting services. Vasquez is a member of the McGladrey Alliance. The McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. McGladrey Alliance member firms maintain their respective names, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.

801 South Grand Avenue, Suite 400 • Los Angeles, California 90017-4646 • Ph. (213) 873-1700 • Fax (213) 873-1777

El Proyecto del Barrio



Single Audit Report
El Proyecto del Barrio, Inc.
Year ended September 30, 2014
with Report of Independent Auditors

An Independently Owned Member
McGLADREY ALLIANCE



M&C Vasquez
& Company LLP
Certified Public Accountants and Business Consultants

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**Report of Independent Auditors 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***

**Board of Directors
El Proyecto del Barrio, 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 consolidated financial statements of El Proyecto del Barrio, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2014, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 23, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered El Proyecto del Barrio, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of El Proyecto del Barrio, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of El Proyecto del Barrio, Inc.'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 El Proyecto del Barrio, Inc.'s consolidated 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 consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Vasquez + Company LLP

**Los Angeles, California
January 23, 2015**

**Report of Independent Auditors on Compliance for Each Major
Federal Program, on Internal Control over Compliance and on the
Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

**Board of Directors
El Proyecto del Barrio, Inc.**

Report on Compliance for Each Major Federal Program

We have audited El Proyecto del Barrio, Inc.'s 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 El Proyecto del Barrio, Inc.'s major federal programs for the year ended September 30, 2014. El Proyecto del Barrio, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of El Proyecto del Barrio, Inc.'s major federal programs based on our audit of 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 El Proyecto del Barrio, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of El Proyecto del Barrio, Inc.'s compliance.

Opinion on Each Major Federal Program

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



Report of Internal Control over Compliance

Management of El Proyecto del Barrio, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered El Proyecto del Barrio, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major 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 El Proyecto del Barrio, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a 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 weakness or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weakness may exist that have not been identified.

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



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

We have audited the consolidated financial statements of El Proyecto del Barrio, Inc. as of and for the year ended September 30, 2014, and have issued our report thereon dated January 23, 2015, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Vasquez + Company LLP

**Los Angeles, California
January 23, 2015**

El Proyecto del Barrio, Inc.
Schedule of Expenditures of Federal Awards
Year ended September 30, 2014

Federal Grantor/ Pass Through Grantor/Program Title	Pass Through Grantor's Number	Grant Period	CFDA Number	Program Award Amount	Federal Expenditures
MAJOR PROGRAMS					
<u>U.S. Department of Labor</u>					
Passed through the City of Los Angeles - Community Development Department:					
WIA One Stop Career Center Adult	123186	07/01/13-06/30/14	17.258	\$ 646,015	\$ 450,930
WIA One Stop Career Center Adult	124310	07/01/14-06/30/15	17.258	606,541	<u>141,206</u>
		Total for CFDA 17.258			<u>592,136</u>
WIA/ Youth Opportunity Sun Valley	122920	07/01/13-06/30/14	17.259	839,050	664,061
WIA/ Youth Opportunity Sun Valley	124257	07/01/14-06/30/15	17.259	803,160	174,026
WIA/ Youth Opportunity Winnetka	122919	07/01/13-06/30/14	17.259	839,050	683,108
WIA/ Youth Opportunity Winnetka	124258	07/01/14-06/30/15	17.259	803,160	<u>142,761</u>
		Total for CFDA 17.259			<u>1,663,956</u>
WIA One Stop Career Center Dislocated Worker	123186	07/01/13-06/30/14	17.278	491,728	370,799
WIA One Stop Career Center Dislocated Worker	124310	07/01/14-06/30/15	17.278	468,459	105,457
LA Back to Work 25%	122513	09/02/12-03/31/15	17.278	150,800	<u>122,951</u>
		Total for CFDA 17.278			<u>599,207</u>
				Total WIA Cluster	<u>2,855,299</u>
LA Back to Work 75%	122091	03/01/13-06/30/15	17.277	912,877	<u>452,867</u>
		Total for CFDA 17.277			<u>452,867</u>
				Total Major Programs	<u>3,308,166</u>
NON-MAJOR PROGRAMS					
<u>U.S. Department of Health and Human Services Health Resources and Services Administration</u>					
Direct Programs:					
Health Center Cluster	H80CS06647	01/01/13-12/31/13	93.224	1,309,987	467,354
Health Center Cluster	H80CS06647	01/01/14-12/31/14	93.224	2,310,591	<u>1,144,973</u>
		Total for CFDA 93.224			<u>1,612,327</u>
Ryan White Part C Outpatient Early Interventions Services Program	H76HA00659	07/01/13-04/30/14	93.918	165,614	117,669
Ryan White Part C Outpatient Early Interventions Services Program	H76HA00659	05/01/14-04/30/15	93.918	198,736	<u>82,805</u>
		Total for CFDA 93.918			<u>200,474</u>

El Proyecto del Barrio, Inc.
Schedule of Expenditures of Federal Awards
Year ended September 30, 2014

Federal Grantor/ Pass Through Grantor/Program Title	Pass Through Grantor's Number	Grant Period	CFDA Number	Program Award Amount	Federal Expenditures
NON-MAJOR PROGRAMS (CONTINUED)					
<u>U.S. Department of Health and Human Services Health Resources and Services Administration (continued)</u>					
Passed through the County of Los Angeles Department of Health Services:					
HIV/AIDS Ambulatory Outpatient Medical Services	PH-002379 SCH 02	03/01/13-02/28/14	93.914	\$ 220,025	\$ 92,997
HIV/AIDS Ambulatory Outpatient Medical Services	PH-002379 SCH 03	03/01/14-02/28/15	93.914	217,879	126,524
HIV/AIDS Oral Health Care Services	PH-002382 SCH 01	03/01/13-02/28/14	93.914	100,612	30,685
HIV/AIDS Oral Health Care Services	PH-002382 SCH 02	03/01/14-02/28/15	93.914	100,612	22,433
HIV/AIDS Medical Care Coordination	PH-002361 SCH 02	03/01/13-02/28/14	93.914	117,000	44,960
HIV/AIDS Medical Care Coordination	PH-002361 SCH 03	03/01/14-02/28/15	93.914	146,250	74,161
		Total for CFDA 93.914			391,760
Passed through the County of Los Angeles Department of Health Services:					
HIV Store Front	PH-000812 SCH 08	01/01/13-12/31/13	93.940	60,000	11,588
HIV Store Front	PH-000812 SCH 10	01/01/14-12/31/14	93.940	60,000	31,790
HIV Fee for Service Store Front	PH-000812 SCH 09	01/01/13-12/31/13	93.940	40,000	5,159
HIV Fee for Service Store Front	PH-000812 SCH 11	01/01/14-12/31/14	93.940	40,000	18,627
		Total for CFDA 93.940			67,164
<u>U.S. Department of Health and Human Services</u>					
Passed through the County of Los Angeles Public Health Substance Abuse Prevention and Control:					
Perinatal Services Program (Perinatal Outpatient Drug Free)	PH-002276	07/01/13-06/30/14	93.959	323,416	265,593
Perinatal Services Program (Perinatal Outpatient Drug Free)	PH-002276	07/01/14-06/30/15	93.959	323,416	93,134
		Total for CFDA 93.959			358,727
Passed through the County of Los Angeles Public Health Substance Abuse Prevention and Control:					
Perinatal Services Program - Outpatient Drug Free (Drug Medi-Cal)	PH-001809-1A	07/01/13-06/30/14	93.778	8,834	1,662
Perinatal Services Program - Perinatal Daycare Habilitative Services (Drug Medi-Cal)	PH-001809-1B	07/01/13-06/30/14	93.778	3,541	861
Perinatal Services Program - Perinatal Outpatient Drug Free (Drug Medi-Cal)	PH-001809-1C	07/01/13-06/30/14	93.778	3,181	821
		Total for CFDA 93.778			3,344
		Total Non-major Programs			2,633,796
				Total Federal Pro \$	5,941,962

See accompanying Notes to Schedule of Expenditures of Federal Awards and the Report of Independent Auditors on Compliance for Each Major Program; on Internal Control over Compliance; and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.

El Proyecto del Barrio, Inc.
Note to Schedule of Expenditures of Federal Awards
Year ended September 30, 2014

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards presents the activity of all Federal award programs of El Proyecto del Barrio, Inc. The Organization's reporting entity is defined in Note 1 to El Proyecto del Barrio, Inc.'s consolidated financial statements. All Federal awards received directly from Federal Agencies as well as Federal awards passed through other governmental agencies are included in the schedule.

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

NOTE 3 Non Federal sources expenditures reimbursed by the City of Los Angeles for the period of October 1, 2013 to September 30, 2014 under contracts listed below:

Contract	Funding Source	Program Year	Amount Disbursed
122876	LA County - SYEP	7/1/13-10/31/13	\$ 2,397
122877	City General Fund - SYEP	7/1/13-12/31/13	51,417
123998	LA County Youth Jobs Program	4/1/14-12/31/14	730,659
124369	City General Fund - SYEP	7/1/14-12/31/14	163,275
			<u>\$ 947,748</u>

NOTE 4 Subcontractors expense incurred with federal funds passed through the City of Los Angeles Community Development Department are listed below:

Contract	Program Title	Name of Subcontractor	Amount Disbursed
122920	WIA Youth Opportunity Sun Valley	None	\$ 10,000
122919	WIA Youth Opportunity Winnetka	Valley College of Medical Career	27,000
			<u>\$ 37,000</u>

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified:	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to the financial statements noted:	No

Federal Awards

Internal control over its major programs:	
• Material weakness(es) identified:	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditors’ 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

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
17.258	WIA One Stop Career Center Adult
17.259	WIA Youth Opportunity
17.278	WIA One Stop Career Center Dislocated Worker LA Back to Work 25%
17.277	LA Back to Work 75%

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as a low-risk auditee:	Yes

El Proyecto del Barrio, Inc.
Schedule of Findings and Questioned Costs
Year ended September 30, 2014

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings

No matters were reported.

Section IV – Status of Prior Year Findings

Finding # 2013-01: Program Income

Federal Catalog Number: 93.959

Federal Program Name: Block Grants for Prevention and Treatment of Substance Abuse – Perinatal Services Program

Federal Agency: Department of Health and Human Services – Passed through County of Los Angeles Department of Public Health

Criteria

Section 11 of the Alcohol and Drug Services Agreement states that “If Contractor provides participants with residential and/or non-residential treatment services hereunder, participants shall be charged a fee by Contractor for the provision of such services. In charging fees, Contractor shall take into consideration the participant’s ability to pay (based on participant’s income and expenses), and the fee(s) charged shall not be in excess of Contractor’s actual unit cost to provide such service(s). In establishing fees to be charged, Contractor shall follow procedures and which have been reviewed and approved by the Director in determining allowable reimbursement costs. Contractor shall set and collect fees using methods approved by the Director in accordance with Health and Safety Code Section 11852.5 and County Policy. County Contractor shall exercise diligence in the billing and collection of fees from participants.”

Condition

El Proyecto del Barrio, Inc. determines the amount of fees to be charged to the participants based on participant’s income, expense and number of dependents in conjunction with the sliding fee schedule. During our audit, we noted that, out of the 18 participants tested, 4 participants who were required to be charged sliding fees were not charged. Consequently, no fees were collected from these participants.

Questioned Costs

Not Applicable

Effect

This may constitute noncompliance with the grant contract terms and conditions which may be grounds for unnecessary sanctions. This also constitutes failure to collect potential program revenue.

Recommendation

We recommend that El Proyecto del Barrio, Inc. determine the fees that are required to be charged to the participants diligently.

Views of Responsible Officials and Planned Corrective Actions

The Organization will re-examine the policy and procedures regarding fee determination status. A protocol involving review and determination of participant’s ability to pay, and determine if the sliding fee scale would apply, will be monitored and documented accordingly.

Status

The Organization implemented the revised procedures relating to fees paid by participants in February 2014.

Finding # 2013-02: Reporting

Federal Catalog Number: 93.959

Federal Program Name: Block Grants for Prevention and Treatment of Substance Abuse – Perinatal Services Program

Federal Agency: Department of Health and Human Services – Passed through County of Los Angeles Department of Public Health

Criteria

Per Section 17.1 of the Alcohol and Drug Services Agreement number PH-002276, a Contractor shall submit directly to the State of California monthly the following reports: For treatment providers: By the tenth (10th) of each month following the month for which the data is collected, the Drug and Alcohol Treatment Access Report (“DATAR”) and the Provider Waiting List Record (“WLR”). Each month, Contractor shall collect and record data using the WLR as required by the State of California. Beneficiary data collected in the WLR shall be incorporated as aggregate data in the DATAR.

Condition

During our audit, we noted that two of the DATAR reports that we selected for testing were submitted to the Department of Health and Human Services after the tenth (10th) of the month following the month which the data was collected.

Questioned Costs

Not Applicable

Effect

This may constitute noncompliance with the grant contract terms and conditions which may be grounds for unnecessary sanctions.

Recommendation

We recommend that El Proyecto del Barrio, Inc. ensure that reports are submitted in a timely manner to avoid unnecessary sanctions from the grantor.

Views of Responsible Officials and Planned Corrective Actions

A calendar of reporting deadlines will be formalized. Internal reporting deadlines will be set and monitored by the responsible Program Director/Manager to ensure timely submission of reports due to funding agencies.

Status

No exceptions were noted in fiscal year 2014.

Finding # 2013-03: Program Income

Federal Catalog Number: 93.914

Federal Program Name: HIV/AIDS Ambulatory/Outpatient Medical Services
HIV/AIDS Oral Health Care Services
HIV/AIDS Medical Care Coordination Services

Federal Agency: Department of Health and Human Services – Passed
through County of Los Angeles Department of Health

Criteria

In accordance with the HIV/AIDS Ambulatory/Outpatient Medical Services Agreement, the HIV/AIDS Oral Health Care Services Agreement and the HIV/AIDS Medical Care Coordination Services Agreement, clients/patients treated hereunder shall be charged a fee by Contractor. In charging fees, Contractor shall take into consideration the client's/patient's ability to pay for services received. Contractor shall not withhold services because of the client's/patient's inability to pay for such services. In establishing fees, Contractor shall implement a client/patient fee determination system which has been reviewed and approved by the Director. Contractor shall exercise diligence in the billing and collecting of client/patient fees.

Condition

During our audit, we noted that 19 out of 22 patients tested were not charged with fees in accordance with El Proyecto del Barrio Inc.'s Sliding Fee Schedule.

Questioned Costs

Not Applicable

Effect

This may constitute noncompliance with the grant terms and conditions which may be grounds for unnecessary sanctions. This also constitutes failure to collect potential program revenue.

Recommendation

We recommend that El Proyecto del Barrio Inc.'s HIV/AIDS Ambulatory/Outpatient Medical Services, HIV/AIDS Oral Health Care Services and HIV/AIDS Medical Care Coordination Services programs diligently charge its patients with fees in accordance with the Sliding Fee Schedule.

Views of Responsible Officials and Planned Corrective Actions

The Organization will re-examine the policy and procedures regarding fee determination status. A protocol involving review and determination of patient's ability to pay, and determine if the sliding fee scale would apply, will be monitored and documented accordingly.

Status

Finding still existed for fiscal year 2014 but the Organization implemented the revised procedures relating to fees paid by participants in November 2014.

Finding # 2013-04: Reporting

Federal Catalog Number: 93.914

Federal Program Name: HIV/AIDS Ambulatory/Outpatient Medical Services
HIV/AIDS Oral Health Care Services
HIV/AIDS Medical Care Coordination Services

Federal Agency: Department of Health and Human Services – Passed
through County of Los Angeles Department of Health

Criteria

Monthly Data Reports (from Clinics)

In accordance with the HIV/AIDS Ambulatory/Outpatient Medical Services Agreement, the HIV/AIDS Oral Health Care Services Agreement and the HIV/AIDS Medical Care Coordination Services Agreement, monthly reports (including monthly invoices, monthly billings and monthly data reports) are due no later than 30 days after the end of each calendar month.

Condition

During our audit, we noted that 2 out of 14 monthly reports that we tested were submitted a few days after the due date.

Questioned Costs

Not Applicable

Effect

This may constitute noncompliance with the grant terms and conditions which may be grounds for unnecessary sanctions.

Recommendation

We recommend that El Proyecto del Barrio Inc.'s HIV/AIDS Ambulatory/Outpatient Medical Services, HIV/AIDS Oral Health Care Services and HIV/AIDS Medical Care Coordination Services programs ensure that the required monthly reports are submitted timely.

Views of Responsible Officials and Planned Corrective Actions

A calendar of reporting deadlines will be formalized. Internal reporting deadlines will be set and monitored by the responsible Program Director/Manager to ensure timely submission of reports due to funding agencies.

Status

No exceptions were noted in fiscal year 2014.



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801 South Grand Avenue, Suite 400 • Los Angeles, California 90017-4646 • Ph. (213) 873-1700 • Fax (213) 873-1777