

PUEBLO COMMUNITY HEALTH CENTER, INC.

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT**

**TOGETHER WITH
GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-133 REPORTS**

DECEMBER 31, 2014 AND 2013

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS -	
Statements of Financial Position	3
Statements of Activity	4
Statements of Cash Flows	5
Notes to Financial Statements	6
ADDITIONAL INFORMATION	
Schedule of Functional Expenses	12
<i>GOVERNMENT AUDITING STANDARDS</i> AND OMB CIRCULAR A-133 REPORTS	
Schedule of Findings and Questioned Costs	13
Schedule of Expenditures of Federal Awards	14
Notes to Schedule of Expenditures of Federal Awards	15
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	16
Independent Auditors' Report For Each Major Federal Program and Report on Internal Control Over Compliance	18

INDEPENDENT AUDITORS' REPORT

Board of Directors
Pueblo Community Health Center, Inc.
Pueblo, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Pueblo Community Health Center, Inc., (a nonprofit organization) which comprise the statements of financial position as of December 31, 2014 and 2013 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pueblo Community Health Center, Inc., as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Additional Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of functional expenses on page 12 and the schedule of expenditures of federal awards on page 14, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2015 on our consideration of the Pueblo Community Health Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pueblo Community Health Center, Inc.'s internal control over financial reporting and compliance.

McPherson, Bryfogle, Daniels & Goodrich, PC

March 24, 2015

PUEBLO COMMUNITY HEALTH CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 5,559,368	\$ 3,836,791
Certificates of deposit	224,720	115,329
Patient accounts receivable, net of billing adjustments and allowance for doubtful accounts totaling \$1,547,659 and \$1,037,527, respectively	2,275,681	1,984,605
Due from federal government	2,185,143	2,018,375
Other receivables	-	70,069
Prepaid expenses	92,526	90,342
Escrow deposit	2,618	2,618
Inventory	108,732	95,863
Unamortized bond issuance costs	-	38,641
Other assets	1,333	1,333
Property and equipment, net	<u>14,194,375</u>	<u>13,680,611</u>
TOTAL ASSETS	<u>\$ 24,644,496</u>	<u>\$ 21,934,577</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 510,636	\$ 573,743
Accrued expenses and other liabilities	990,099	990,461
Deferred revenue - federal government grant	1,821,780	1,928,830
Deferred revenue - other	184,442	290,142
Note payable	376,402	-
Bond payable, net of unamortized discount	<u>-</u>	<u>1,673,893</u>
TOTAL LIABILITIES	<u>3,883,359</u>	<u>5,457,069</u>
 NET ASSETS		
Unrestricted	<u>20,761,137</u>	<u>16,477,508</u>
TOTAL NET ASSETS	<u>20,761,137</u>	<u>16,477,508</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 24,644,496</u>	 <u>\$ 21,934,577</u>

The accompanying notes are an integral part of these statements.

PUEBLO COMMUNITY HEALTH CENTER, INC.
STATEMENTS OF ACTIVITY
YEARS ENDED DECEMBER 31, 2014 AND 2013

	Year Ended December 31, 2014		
	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Net patient service revenue	\$ 18,515,194	\$ -	\$ 18,515,194
Direct federal funds	4,627,047	-	4,627,047
Federal pass-through funds	112,909	-	112,909
Other grants	1,836,291	-	1,836,291
Net pharmacy sales	1,823,309	-	1,823,309
Contributions	188,885	-	188,885
Interest income	1,014	-	1,014
Gain on diposal of assets	163	-	163
Other	109,856	-	109,856
Net assets released from restrictions	-	-	-
TOTAL REVENUES AND OTHER SUPPORT	<u>27,214,668</u>	<u>-</u>	<u>27,214,668</u>
EXPENSES			
Program services -			
Medical	6,869,571	-	6,869,571
Nursing	4,852,789	-	4,852,789
Dental	1,244,684	-	1,244,684
Clinical	2,595,158	-	2,595,158
Pharmacy	1,232,735	-	1,232,735
School based wellness	751,839	-	751,839
	<u>17,546,776</u>	<u>-</u>	<u>17,546,776</u>
General and administrative	3,787,454	-	3,787,454
	<u>21,334,230</u>	<u>-</u>	<u>21,334,230</u>
Nongrant expenses -			
Depreciation	941,062	-	941,062
Bad debts	510,132	-	510,132
Interest and fiscal expense	90,844	-	90,844
Donation to Foundation	54,064	-	54,064
Other	707	-	707
TOTAL EXPENSES	<u>22,931,039</u>	<u>-</u>	<u>22,931,039</u>
CHANGE IN NET ASSETS	4,283,629	-	4,283,629
NET ASSETS AT BEGINNING OF YEAR	<u>16,477,508</u>	<u>-</u>	<u>16,477,508</u>
NET ASSETS AT END OF YEAR	<u>\$ 20,761,137</u>	<u>\$ -</u>	<u>\$ 20,761,137</u>

The accompanying notes are an integral part of these statements.

Year Ended December 31, 2013

Unrestricted	Temporarily Restricted	Total
\$ 14,091,395	\$ -	\$ 14,091,395
4,111,836	-	4,111,836
142,714	-	142,714
484,369	-	484,369
1,224,725	-	1,224,725
190,547	5,000	195,547
1,196	-	1,196
-	-	-
68,162	-	68,162
5,000	(5,000)	-
20,319,944	-	20,319,944
6,542,954	-	6,542,954
3,990,860	-	3,990,860
1,286,682	-	1,286,682
2,960,043	-	2,960,043
1,323,366	-	1,323,366
315,939	-	315,939
16,419,844	-	16,419,844
3,232,937	-	3,232,937
19,652,781	-	19,652,781
838,820	-	838,820
297,275	-	297,275
57,104	-	57,104
93,659	-	93,659
5,094	-	5,094
20,944,733	-	20,944,733
(624,789)	-	(624,789)
17,102,297	-	17,102,297
\$ 16,477,508	\$ -	\$ 16,477,508

PUEBLO COMMUNITY HEALTH CENTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 4,283,629	\$ (624,789)
Adjustments to reconcile increase(decrease) in net assets to net cash provided by operating activities -		
Depreciation	941,062	838,820
Bad debt expense	510,132	297,275
Amortization of bond issuance costs and bond discount	49,748	61,167
(Gain) loss on disposal of property and equipment	163	-
Change in assets and liabilities -		
Accounts receivable	(731,139)	(285,827)
Due from federal government	(166,768)	(323,864)
Prepaid expenses	(2,185)	(23,484)
Inventory	(12,869)	(20,371)
Accounts payable	(63,107)	(77,340)
Deferred revenue - other	(105,699)	(21,698)
Deferred revenue - federal government grant	(107,050)	234,319
Accrued expenses and other liabilities	(362)	180,690
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>4,595,555</u>	<u>234,898</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(109,391)	(59)
Purchase of capital assets	(1,454,826)	(385,079)
NET CASH FLOWS (USED) BY INVESTING ACTIVITIES	<u>(1,564,217)</u>	<u>(385,138)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	500,000	-
Bond issue costs	-	(30,304)
Principal payment on long-term debt	(1,808,761)	(110,000)
NET CASH FLOWS (USED) BY FINANCING ACTIVITIES	<u>(1,308,761)</u>	<u>(140,304)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,722,577	(290,544)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,836,791</u>	<u>4,127,335</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,559,368</u>	<u>\$ 3,836,791</u>
SUPPLEMENTAL DATA		
Interest paid	<u>\$ 10,094</u>	<u>\$ 16,692</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

PUEBLO COMMUNITY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activity – Pueblo Community Health Center, Inc. (PCHC) is organized to provide community-oriented primary health care to those in need located in Pueblo County, Colorado.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Patient Accounts Receivable – Patient accounts receivable are stated at the gross amount of charges for patient services less an allowance for billing adjustments and an allowance for doubtful accounts. The billing adjustment allowance is based upon PCHC's adopted sliding fee scale and management's estimate of payments from third party reimbursements. Accounts that are past due more than 120 days are written off to the allowance account.

Grants – Revenue from federal and other grants is recognized when earned which is generally as expenses are incurred.

Inventory – Pharmacy inventory is stated at the lower of cost or market determined by the first-in, first-out method.

Property and Equipment – PCHC capitalizes all expenditures for property and equipment totaling \$5,000 or more. Property and equipment are recorded at cost, or in the case of contributed items, fair value on the date of contribution. Depreciation expense is computed on the straight-line method based on the estimated useful lives of the related assets. Depreciation expense totaled \$941,062 for the year ended December 31, 2014 and \$838,820 for the year ended December 31, 2013. Following is a summary of the estimated useful lives:

Buildings	20-40 years
Improvements	5-20 years
Equipment	3-5 years

Employee Benefits – For each full time employee, PCHC contributes 3% of the employee's gross pay to a tax-sheltered annuity after one year of continuous service. PCHC contributed \$315,846 and \$297,645 to these plans during 2014 and 2013 that have been charged to expense.

Deferred Compensation Plans – PCHC maintains an IRC Section 457(b) deferred compensation plan covering the Center's chief executive officer and executive management team members. Under the terms of the plan, each participant is eligible to make elective deferrals up to the maximum amount permitted by law and PCHC may make non-elective contributions as approved by the board of directors. For the years ended December 31, 2014 and December 31, 2013, the Center did not contribute to this plan.

PUEBLO COMMUNITY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Income Taxes – PCHC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code for activities related to its exempt purpose. Income from certain activities, not directly related to PCHC's tax-exempt purpose, if received, is subject to taxation as unrelated business income. The tax years ended December 31, 2013, 2012, and 2011, together with the current tax year, remain subject to examination by the Internal Revenue Service.

In addition, the Center qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Cash and Cash Equivalents – For purposes of the statements of cash flows, PCHC considers all unrestricted highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Contributions – Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activity as net assets released from restrictions.

Net patient service revenue – Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2014 and 2013 are summarized as follows:

	<u>December 31,</u>	
	<u>2013</u>	<u>2013</u>
Cash on hand	\$ 2,980	\$ 3,130
Demand deposits	5,342,488	2,547,063
Money market funds held at brokerage companies	<u>213,900</u>	<u>1,286,598</u>
	<u>\$ 5,559,368</u>	<u>\$ 3,836,791</u>

During the course of normal operations, PCHC carries bank balances that are not insured by the Federal Deposit Insurance Corporation, nor are they collateralized in any other fashion and those balances totaled \$1,875,142 at December 31, 2014. Money market funds held at brokerage companies are not insured by the Federal Deposit Insurance Corporation.

PUEBLO COMMUNITY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

**NOTE 3 – DUE FROM FEDERAL GOVERNMENT/DEFERRED REVENUES -
FEDERAL GOVERNMENT**

The balance due from the federal government represents the balance of the Center's two federal grants. The consolidated health center grant covers the period June 1, 2013 to May 31, 2014 and June 1, 2014 to May 31, 2015, respectively and the Ryan White grant covers the period April 1, 2013 to March 31, 2014 and April 1, 2014 to March 31, 2015. These receivables have been included in deferred revenues - federal government since the entire amount of the grant has not yet been earned. The portion of the due from federal government that exceeds the deferred revenue represents the portion of the grant that has been earned but not collected.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2014 and 2013 are summarized as follows:

	December 31,	
	2014	2013
Land	\$ 1,461,845	\$ 1,461,845
Buildings	8,377,263	8,377,263
Improvements	7,250,703	5,949,707
Equipment	4,088,624	3,948,126
	21,178,435	19,736,941
Accumulated depreciation	(6,984,060)	(6,056,330)
NET PROPERTY AND EQUIPMENT	\$ 14,194,375	\$ 13,680,611

NOTE 5 – BOND PAYABLE

Bond payable is summarized as follows:

	December 31,	
	2014	2013
Wells Fargo variable rate demand revenue bonds, series 2008; quarterly interest and annual line of credit fees payable through November 1, 2033; current interest rate is 0.5%	\$ -	\$ 1,685,000
Deferred amount of issuance discount	-	(11,107)
	\$ -	\$ 1,673,893

The revenue bonds were remarketed on November 2, 2009 changing the interest rate mode from the one year interest rate mode to the three month interest rate mode. Principal payments on the revenue bonds are due on the maturity date of November 1, 2033, however periodic principal payments are allowed with advance notification at the option of PCHC. The bond was completely liquidated during the year ending December 31, 2014.

PUEBLO COMMUNITY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 6 – NOTES PAYABLE

Notes payable is summarized as follows:

	December 31,	
	2014	2013
Note with the Colorado Health Foundation; monthly payments of \$14,104 including principal and interest through March 2017; current interest rate is 1.0%	\$ 376,402	\$ -
Less current maturities	(152,328)	-
	\$ 224,074	\$ -

Following are maturities of long-term debt for each of the next three years:

2015	\$ 152,328
2016	167,775
2017	56,299
	\$ 376,402

NOTE 7– NET PHARMACY SALES

Net pharmacy sales consist of the following:

	Year Ended December 31,	
	2014	2013
Gross pharmacy receipts	\$ 3,002,001	\$ 1,849,516
Pharmacy cost of goods sold	(1,178,692)	(624,791)
In-kind subsidy drugs received	82,597	283,587
In-kind subsidy drugs dispensed	(82,597)	(283,587)
	\$ 1,823,309	\$ 1,224,725

The subsidy drugs are received from various pharmaceutical companies and dispensed to PCHC's patients as directed by the pharmaceutical companies.

PUEBLO COMMUNITY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 8 – NET ASSETS RELEASED FROM RESTRICTIONS

A portion of temporarily restricted net assets were released from donor restrictions by incurring qualifying expenditures which satisfied the restricted purposes specified by the donors. The purpose restrictions accomplished included:

	<u>Year Ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Prenatal care and study	\$ <u> -</u>	\$ <u> 5,000</u>

NOTE 9 – RELATED PARTY TRANSACTION

During the year ended December 31, 2014 and 2013, PCHC contributed \$54,064 and \$93,659 to the Pueblo Community Health Center Foundation, Inc. (the Foundation), which is an Internal Revenue Code 501(c)(3) entity. The Foundation and PCHC share board governance and the Foundation was formed to assist in fundraising for PCHC.

NOTE 10 – CONCENTRATIONS OF REVENUE

PCHC received over 10% of its annual revenues from grants as follows:

	<u>Year Ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Federal consolidated health center	\$ <u>4,317,043</u>	\$ <u>3,801,984</u>

NOTE 11 – PHARMACY MANAGEMENT AGREEMENT

The PCHC pharmacy is operated under a management agreement with Cardinal Health 109, Inc. and is limited to PCHC patients with prescriptions written by PCHC physicians. The pharmacy inventory, accounts receivable, and equipment are owned by PCHC.

PUEBLO COMMUNITY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 12 – COMMITMENTS AND CONTINGENCIES

PCHC identified, through its internal corporate compliance program initiatives, a possible Medicaid overpayment related to inadvertent billing errors for obstetrics services performed by nurses. The details of the matter were self-disclosed to the Colorado Medicaid program in January 2012. The amount of the possible overpayment has not yet been determined. PCHC's legal counsel originally estimated the overpayment to be in the range of \$187,000 to \$447,000, depending on the conclusions reached by the Colorado Medicaid Program. As such, and in accordance with generally accepted accounting principles, management accrued an estimated loss of \$187,000 as of and for the year ended December 31, 2011. During the year ended December 31, 2014, it was determined that certain amounts of the claim had expired due to the passage of the statute of limitations and thus, the established loss accrual was reduced to \$117,000. This amount is included in accounts payable at December 31, 2014.

The Federal government, through the Department of Health and Human Services, has granted and recorded a reversionary interest in the Center's property located at 110 Routt. This reversionary interest establishes certain notification and approval requirements prior to disposal.

PCHC uses a reimbursement method of payment for Colorado unemployment insurance. This payment method requires the issuance of a letter of credit in the amount of \$108,948 to the Colorado Department of Labor and Employment which expires February 21, 2016. As of December 31, 2014, no funds had been advanced against the letter of credit.

NOTE 13 – SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2014 have been evaluated for possible adjustment or disclosure is March 24, 2015, which is the date the financial statements were available to be issued.

ADDITIONAL INFORMATION

PUEBLO COMMUNITY HEALTH CENTER, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014 WITH COMPARATIVE TOTALS FOR 2013

	Program Services			
	<u>Medical</u>	<u>Nursing</u>	<u>Dental</u>	<u>Clinical</u>
Salaries and wages	\$ 5,293,974	\$ 2,933,964	\$ 872,977	\$ 2,005,979
Payroll taxes	352,989	219,652	63,868	149,106
Employee benefits	<u>355,271</u>	<u>405,819</u>	<u>71,813</u>	<u>223,016</u>
Total Personnel	6,002,234	3,559,435	1,008,658	2,378,101
Supplies	73,576	189,064	114,609	61,713
Pharmacy	-	602,516	4,251	-
Laboratory	107,261	-	10,411	-
Radiology	109,311	-	-	-
Referrals	126,018	3,310	12,026	-
Contract services	37,996	227,678	1,882	9,307
Occupancy	174,769	148,234	64,145	116,796
Insurance	35,245	-	-	-
Travel	2,507	35,297	-	2,121
Continuing education	36,181	-	8,837	-
Certifications and conferences	43,828	12,993	7,907	3,891
Printing	2,688	16,085	1,402	6,251
Telephone	61,046	37,196	9,732	9,732
Recruitment and retention	27,107	-	-	-
Board expenses	-	-	-	-
Postage	23,196	11,639	464	4,639
Professional fees	-	-	-	-
Advertising	-	-	-	-
Training	237	9,027	168	584
Miscellaneous	<u>6,371</u>	<u>315</u>	<u>192</u>	<u>2,023</u>
TOTAL EXPENSES	<u>\$ 6,869,571</u>	<u>\$ 4,852,789</u>	<u>\$ 1,244,684</u>	<u>\$ 2,595,158</u>

			<u>Total</u>		
<u>School Based</u>			<u>General and Administrative</u>		
<u>Pharmacy</u>	<u>Wellness</u>	<u>Total</u>		<u>2014</u>	<u>2013</u>
\$ 991,290	\$ 300,290	\$ 12,398,474	\$ 1,808,670	\$ 14,207,144	\$ 13,150,188
-	22,755	808,370	131,263	939,633	856,142
-	<u>102,265</u>	<u>1,158,184</u>	<u>171,150</u>	<u>1,329,334</u>	<u>1,404,709</u>
991,290	425,310	14,365,028	2,111,083	16,476,111	15,411,039
28,493	26,485	493,940	143,519	637,459	482,782
-	-	606,767	-	606,767	382,968
-	112	117,784	-	117,784	94,660
-	-	109,311	-	109,311	151,887
-	-	141,354	-	141,354	208,183
161,042	198,068	635,973	695,870	1,331,843	1,260,216
39,205	17,492	560,641	274,835	835,476	763,771
-	-	35,245	31,364	66,609	66,321
-	12,087	52,012	4,261	56,273	61,765
-	121	45,139	2,238	47,377	49,903
645	11,359	80,623	132,973	213,596	164,519
-	46,466	72,892	22,907	95,799	57,044
9,732	2,496	129,934	9,732	139,666	169,133
-	-	27,107	50,195	77,302	60,756
-	-	-	24,753	24,753	22,815
464	424	40,826	9,247	50,073	29,066
-	-	-	107,827	107,827	97,229
-	7,417	7,417	34,403	41,820	35,676
1,095	1,204	12,315	26,309	38,624	40,373
<u>769</u>	<u>2,798</u>	<u>12,468</u>	<u>105,938</u>	<u>118,406</u>	<u>42,675</u>
<u>\$ 1,232,735</u>	<u>\$ 751,839</u>	<u>\$ 17,546,776</u>	<u>\$ 3,787,454</u>	<u>\$ 21,334,230</u>	<u>\$ 19,652,781</u>

GOVERNMENT AUDITING STANDARDS

AND

OMB CIRCULAR A-133 REPORTS

**PUEBLO COMMUNITY HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2014**

SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

An unmodified opinion was rendered on the basic financial statements of Pueblo Community Health Center, Inc. as of and for the year ended December 31, 2014.

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

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

An unmodified opinion on compliance for major programs was issued.

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.224/93.527	Health Centers Cluster

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

Auditee qualified as low-risk auditee: X Yes _____ No

FINANCIAL STATEMENT FINDINGS

No findings relating to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* were noted.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs for federal awards were noted.

**PUEBLO COMMUNITY HEALTH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014**

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct assistance -			
Consolidated Health Centers	93.224/93.527	-	\$ 4,317,043
Ryan White Title III Early Intervention Services for HIV Disease	93.918	-	310,004
Passed through Colorado Department of Public Health and Environment -			
Integrated healthcare for Women Centers for Disease Control and Prevention -	93.094	FLA PSD1462993	29,075
		13 FLA 48518	
Investigations and Technical Assistance ACA Maternal, Infant & Early Childhood Home Visiting Program	93.283	14 FLA 59673	7,229
	93.505	13 FLA 48942	40,701
Passed through University of Colorado			
Community Based Dental Partnership	93.924	5H65HA00015-11-00	<u>35,904</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>4,739,956</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 4,739,956</u>

PUEBLO COMMUNITY HEALTH CENTER, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Pueblo Community Health Center, Inc. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



503 N. Main Street, Suite 740

Pueblo, CO 81003-3131

Phone (719) 543-0516

Fax (719) 544-2849

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

Board of Directors
Pueblo Community Health Center, Inc.
Pueblo, Colorado

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 Pueblo Community Health Center, Inc., (the Center), which comprise the statement of financial position as of December 31, 2014 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 24, 2015.

Internal Control Over Financial Reporting

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

McPherson, Bryfogle, Davlin & Goodrich, PC

March 24, 2015



503 N. Main Street, Suite 740

Pueblo, CO 81003-3131

Phone (719) 543-0516

Fax (719) 544-2849

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Directors
Pueblo Community Health Center, Inc.
Pueblo, Colorado

Report on Compliance for Each Major Federal Program

We have audited the Pueblo Community Health Center, 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 Pueblo Community Health Center, Inc.'s major federal program for the year ended December 31, 2014. Pueblo Community Health Center, Inc.'s major federal program is 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 program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Pueblo Community Health Center, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Pueblo Community Health Center, Inc.'s, compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Pueblo Community Health Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

Reports on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

McPherson, Bryfogle, Davlin & Brodick, PC

March 24, 2015