

Southwest Community Health Center, Inc.  
Financial Statements  
for the Year Ended  
July 31, 2014  
and Reports of Independent Auditors

**SOUTHWEST COMMUNITY HEALTH CENTER, INC.**

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JULY 31, 2014**

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**VISCONTI AND ASSOCIATES, P.C.**  
Certified Public Accountants



John J. Visconti, MS, CPA

**REPORT I**

**Independent Auditor's Report**

To the Board of Directors  
Southwest Community Health Center, Inc.  
46 Albion Street  
Bridgeport, Connecticut 06605

ID# 06-1023013

**Report on the Financial Statements**

We have audited the accompanying financial statements of Southwest Community Health Center, Inc., (a non-profit organization), which comprise the statement of financial position as of July 31, 2014 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the organization's 2013 financial statements and in our report dated March 14, 2014, we expressed an unmodified opinion on those financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

### **Opinion**

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

### **Other Matters**

#### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is prepared for the purpose of additional analysis as required by the U. S. Office of Management and Budget Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2015 on our consideration of Southwest 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 Southwest Community Health Center, Inc.'s internal control over financial reporting and compliance.

VISCORTI & ASSOCIATES, P.C.

February 18, 2015

**SOUTHWEST COMMUNITY HEALTH CENTER, INC.****STATEMENT OF FINANCIAL POSITION, JULY 31, 2014  
WITH COMPARATIVE TOTALS FOR 2013**

<u>ASSETS</u>	<u>NOTES</u>	<u>2014</u>	(Note 1) (Memorandum Only) <u>2013</u>
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	1	\$ 1,161,692	\$ 250,571
Marketable securities	1, 11	1,555	1,555
Receivables:			
Grants	3	82,105	211,168
Contracts	3	340,685	225,818
Patient fees - net	2	875,867	1,386,949
Prepaid expenses and other	1	158,991	181,682
Total current assets		<u>2,620,895</u>	<u>2,257,743</u>
Property, plant and equipment:	4	22,421,997	21,887,709
Less accumulated depreciation and amortization		<u>5,692,578</u>	<u>4,554,590</u>
Property, plant and equipment - net		<u>16,729,419</u>	<u>17,333,119</u>
<b>OTHER NON-CURRENT ASSETS:</b>			
Restricted cash			159,024
Other assets	5, 11	<u>182,433</u>	<u>138,962</u>
Total other non-current assets		<u>182,433</u>	<u>297,986</u>
<b>TOTAL</b>		<u><u>\$ 19,532,747</u></u>	<u><u>\$ 19,888,848</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable		\$ 417,942	\$ 1,076,296
Accrued liabilities		958,043	667,376
Deferred revenue	3	151,421	93,436
Notes payable - current portion	6	154,183	37,708
Leases payable - current portion	8	406,197	345,207
Total current liabilities		<u>2,087,786</u>	<u>2,220,023</u>
<b>LONG-TERM LIABILITIES:</b>			
Notes payable - net of current portion	6	6,608,109	7,584,055
Leases payable - net of current portion	8	<u>512,513</u>	<u>617,115</u>
Total liabilities		<u>9,208,408</u>	<u>10,421,193</u>
NET ASSETS - UNRESTRICTED		<u>10,324,339</u>	<u>9,467,655</u>
<b>TOTAL</b>		<u><u>\$ 19,532,747</u></u>	<u><u>\$ 19,888,848</u></u>

See notes to financial statements.

**SOUTHWEST COMMUNITY HEALTH CENTER, INC.**

**STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JULY 31, 2014  
WITH COMPARATIVE TOTALS FOR 2013**

	<u>NOTES</u>	<u>2014</u>	<u>(Note 1) (Memorandum ONLY) 2013</u>
SUPPORT AND REVENUE:			
SUPPORT:			
Grants:			
On-going	3	\$ 2,773,872	\$ 2,676,112
One-time	3		3,219,194
Contracts	3	2,588,887	2,201,239
Women, Infants & Children food benefits	1	2,675,281	2,851,634
Donated materials, space and services	9	696,045	1,097,568
Contributions and special events		15,854	4,918
Other		127,396	55,383
Total		<u>8,877,335</u>	<u>12,106,048</u>
REVENUE - Patient services - net	7	<u>13,698,912</u>	<u>11,854,588</u>
Total		<u>22,576,247</u>	<u>23,960,636</u>
EXPENSES:			
Program services		17,706,259	17,551,987
Supporting services - management and general		<u>4,019,556</u>	<u>3,844,365</u>
Total		<u>21,725,815</u>	<u>21,396,352</u>
OPERATING INCOME		850,432	2,564,284
Depreciation and amortization		<u>(1,137,989)</u>	<u>(758,028)</u>
(Loss) income		(287,557)	1,806,256
Cancellation of debt	6	<u>1,144,241</u>	
CHANGE IN NET ASSETS		856,684	1,806,256
NET ASSETS - UNRESTRICTED:			
Beginning of year		<u>9,467,655</u>	<u>7,661,399</u>
End of year		<u>\$ 10,324,339</u>	<u>\$ 9,467,655</u>

See notes to financial statements.

**SOUTHWEST COMMUNITY HEALTH CENTER, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JULY 31, 2014  
WITH COMPARATIVE TOTALS FOR 2013**

	PROGRAM SERVICES	SUPPORTING SERVICES MANAGEMENT AND GENERAL	2014 TOTAL	(NOTE 1) (Memorandum Only) 2013
Salaries & payroll taxes	\$ 9,976,818	\$ 2,465,961	\$ 12,442,779	\$12,312,668
Fringe benefits	1,586,638	270,272	1,856,910	1,667,457
WIC food benefits	2,675,281		2,675,281	2,851,634
Medical consultants' services	326,064		326,064	360,407
Contractual services and professional fees	774,656	166,257	940,913	741,301
Pharmaceuticals	119,618		119,618	99,018
Laboratory	141,552		141,552	120,206
Consumable supplies	417,519	95,987	513,506	534,045
Occupancy	350,430		350,430	216,888
Insurance	100,181	7,629	107,810	52,734
Repairs, maintenance and equipment rental	26,180	126,425	152,605	155,409
Telephone	4,650	189,012	193,662	197,241
Travel, conferences and meetings	19,102	17,592	36,694	33,139
Staff training	12,204	7,778	19,982	11,355
Dues, subscriptions and fees	9,738	72,575	82,313	47,567
Printing, publications and postage	96	18,769	18,865	11,591
Interest	397,281	24,030	421,311	340,890
Data processing	29,510	233,401	262,911	179,718
Personnel recruitment	9,202	5,635	14,837	12,475
Public information	14,189	51,098	65,287	55,206
Patient transportation	9,250		9,250	6,165
Miscellaneous	10,055	54,381	64,436	64,033
Donated materials, space and services	696,045		696,045	1,097,568
Provision for bad debts		212,754	212,754	227,637
<b>Total</b>	<b>17,706,259</b>	<b>4,019,556</b>	<b>21,725,815</b>	<b>21,396,352</b>
Depreciation and amortization	639,332	498,657	1,137,989	758,028
<b>Total</b>	<b>\$ 18,345,591</b>	<b>\$ 4,518,213</b>	<b>\$ 22,863,804</b>	<b>\$ 22,154,380</b>

See notes to financial statements.

**SOUTHWEST COMMUNITY HEALTH CENTER, INC.****STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JULY 31, 2014  
WITH COMPARATIVE TOTALS FOR 2013**

	2014	(NOTE 1) (Memorandum Only) 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 856,684	\$ 1,806,256
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,137,989	758,028
Unrealized appreciation of securities		(385)
Provision for bad debts	212,754	227,637
Debt Cancellation	(1,144,241)	
Change in operating assets and liabilities:		
Patient receivables	298,328	(724,718)
Grant receivables	129,063	197,572
Contract receivables	(114,867)	(66,840)
Other assets	(43,471)	(43,963)
Prepaid expenses and other	22,691	(47,356)
Accounts payable	(658,354)	25,070
Deferred revenue	57,985	10,845
Accrued liabilities	290,667	(454,262)
 Net cash provided by operating activities	 <u>1,045,228</u>	 <u>1,687,884</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, equipment and improvements	(258,239)	(6,057,021)
 Net cash (used in) investing activities	 <u>(258,239)</u>	 <u>(6,057,021)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Restricted cash	159,024	(161)
(Repayments)/additional borrowings	(34,892)	2,729,939
 Net cash provided by financing activities	 <u>124,132</u>	 <u>2,729,778</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 911,121	 (1,639,359)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>250,571</u>	 <u>1,889,930</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 1,161,692</u>	 <u>\$ 250,571</u>
 <b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Payment of interest	<u>\$ 421,311</u>	<u>\$ 340,890</u>
 Assets financed through Capital lease obligations	 <u>\$ 276,050</u>	

See notes to financial statements.

**SOUTHWEST COMMUNITY HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of Operations - Southwest Community Health Center, Inc. ("Southwest") (a non-profit organization) was established to provide a broad range of health care services to the medically underserved population of Bridgeport, Connecticut.

Basis of Presentation - The Financial Accounting Standards Board (FASB) has created the FASB Accounting Standards Codification (ASC) System which is the official source of authoritative, nongovernmental accounting principles generally accepted in the United States of America. In accordance with ASC Topic 958-205 *Not for Profit Entities, Presentation of Financial Statements*, Southwest reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted – Unrestricted net assets represent available resources other than donor-restricted contributions. Included in unrestricted net assets are grants and contracts that may be earmarked for specific purposes and cash that is earmarked for the payment of debt.

Temporarily Restricted – Temporarily restricted net assets represent contributions that are restricted either as to purpose or as to time of expenditure. Southwest has no temporarily restricted net assets.

Permanently Restricted – Permanently restricted net assets represent contributions received with the donor restriction that the principal be invested in perpetuity and that only the income earned thereon will be available for operations. Southwest has no permanently restricted net assets.

Prior Year Information - The financial information presented for 2013 in the accompanying financial statements is included to provide a basis for comparison with 2014 and presents summarized totals only. The 2013 amounts are not intended to include all the information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such amounts should be read in conjunction with Southwest's financial statements for the year ended July 31, 2013, from which the comparative amounts were derived. Certain 2013 amounts have been reclassified to conform to the 2014 presentation.

Pharmaceutical Inventories - Inventories for the pharmacy program are maintained on the first-in-first-out (FIFO) basis at the lower of cost or market.

Property, Plant and Equipment - Property, plant and equipment is stated at cost. Assets held under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. Expenditures for renewals and improvements that significantly add to productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged against revenue on a current basis. When depreciable properties are retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts. Depreciation and amortization are provided on the straight-line basis over the estimated useful lives of the assets, which range from five to twenty-five years. Leasehold improvements are amortized over the lesser of the asset's useful life or the lease term. Southwest's capitalization threshold is \$1,000.

Southwest performs a test for impairment whenever events or changes in circumstances indicate that the carrying amount of an individual asset or asset group may not be recoverable. Should projected undiscounted future cash flows be less than the carrying amount of the asset or asset group, an impairment charge reducing the carrying amount to fair value is required. Fair value is determined based on the most appropriate valuation technique, including discounted cash flows.

Revenue Recognition - Revenue from grants and contracts is recognized ratably over the period of the grant or, for prepayment grants, upon actual expenses incurred. Such grant and contract revenues are treated as unrestricted for financial statement presentation because the grant and contract requirements are satisfied in the year in which the revenue is recognized.

Southwest administers vaccines distributed through the State of Connecticut Department of Public Health. Accordingly, the value of the vaccines provided to the patient population is reported as both revenue and expense on the statement of activities. Since Southwest is considered a "vaccinating provider" and not a subrecipient, such amounts are excluded from the federal and state award schedules.

In addition, the Corporation administers the Women, Infants and Children Food Benefits Program, wherein eligible participants receive vouchers to purchase certain food items. Accordingly, the value of food benefits provided to participants, as determined by the State of Connecticut, is reported as both revenue and expense on the statement of activities and expenditures on the schedule of expenditures of federal awards.

Southwest participates in the "Share the Care" program with Pfizer Pharmaceuticals, where eligible participants receive certain medications which are provided for by Pfizer. The pharmaceuticals are recorded as both revenue and expense on the statement of activities.

Patient Fees - Patient services revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered. Self-pay revenue is recorded at published charges with charitable allowances deducted to arrive at net self-pay revenue. All other patient services revenue is recorded at published charges with contractual allowances deducted to arrive at patient services revenue, net.

Contributions - Contributions are recognized when the donor makes a promise that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Interest Income - Interest earned on nonfederal funds is recorded as income on the accrual basis of accounting.

Estimated Medical Malpractice and Workers' Compensation Costs - The provision for estimated medical malpractice and workers' compensation claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. The Center accounts for its insurance claims and related insurance recoveries in accordance with the provisions of FASB ASC 954-450-25-2, *Health Care Entities*, which indicates that health care entities should not net insurance recoveries against related claim liabilities. As of July 31, 2014, the Center has not recorded an insurance recoverable or insurance payable.

Donated Materials, Space and Services - Contributions of donated materials, space and services are recorded at their fair values in the period received.

Cash and Cash Equivalents - For the purpose of reporting cash flows, Southwest includes any investments with an original maturity of three months or less in cash equivalents.

Marketable Securities - Marketable securities are reported at market value and consist of investments in equities.

Allocated Expenses - Expenses by function have been allocated among program, supporting services and fundraising classifications on the basis of employee records and estimates made by management.

Concentration of Credit Risk - Southwest maintains cash balances at various financial institutions which at times may temporarily exceed federally insured limits even though Southwest's general ledger balances are managed to remain within those limits. Accounts are insured by the Federal Deposit Insurance Corporation up to certain limits. At July 31, 2014 there were approximately \$1,100,000 of uninsured

cash balances on deposit with financial institutions.

Income Taxes - Southwest is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. The Internal Revenue Service has determined that Southwest is other than a private foundation.

Southwest adopted ASC Topic 740 *Income Taxes*. ASC Topic 740 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon adoption of ASC Topic 740 and in subsequent periods. Management is not aware of any uncertain tax positions taken by Southwest as of that date. Tax years ended July 31, 2009 through July 31, 2014 remain subject to examination by major tax jurisdictions.

Disclosure of Subsequent Events – Southwest adopted ASC Topic 855 *Subsequent Events*. ASC Topic 855 requires disclosure of the date through which subsequent events have been evaluated, and whether that date is the date that the financial statements were issued or available to be issued. Management has evaluated subsequent events for potential recognition and disclosure through February 18, 2015, the date the financial statements were available to be issued. Management is not aware of any events subsequent to the statement of financial position date which would require additional adjustment to, or disclosure in, the accompanying financial statements.

Use of Estimates in Financial Statements - Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported support, revenues and expenses. Although management believes the estimates that have been used are reasonable, actual results could vary from the estimates that were used.

## 2. PATIENT FEE RECEIVABLES

Patient fee receivables consist of the following:

Medicaid	\$ 383,617
Medicare	294,433
Private insurance	198,459
Self-pay	171,927
Other public insurance	27,339
	<u>1,075,775</u>

Less allowance for doubtful accounts	<u>199,908</u>
Patient fee receivables – net	<u>\$ 875,867</u>

### 3. GRANTS AND CONTRACTS

The status of the grants and contracts at July 31, 2014 was as follows:

Grantor And Purpose	Total Amount	Period Covered	Revenue Recognized During Year Ended July 31, 2014	Receivable (Deferred) July 31, 2014
<b>Department of Health and Human Services:</b>				
Section 330: Community Health Center Cluster	\$2,150,549	2/1/12-1/31/13	\$1,102,534	
	2,269,154	2/1/13-1/31/14	1,176,190	
Prevention and Primary Health Services- HIV/Infection and/or AIDS	412,613	7/1/13-6/30/14	371,352	
	495,136	7/1/14-6/30/15	123,798	
Pediatric AIDS Program Ryan White Title IV	97,643	8/1/13-7/31/14	97,633	\$ 26,562
Ryan White Title I	86,486	3/1/13-2/28/14	60,591	
	103,806	3/1/14-2/28/15	50,447	50,447
Comprehensive Cancer Control Program	13,830	7/1/13-6/30/14	8,832	1,148
	13,830	7/1/14-6/30/15	1,152	1,152
<b>State of CT Department of Mental Health and Addiction Services:</b>				
Screening, Brief Intervention and Referral Treatment Program	30,561	8/1/13-7/31/14	18,146	15,456
Screening Brief Intervention and Referral Treatment Program	30,000	8/1/13/7/31/14	30,000	

Grantor And Purpose	Total Amount	Period Covered	Revenue Recognized During Year Ended July 31, 2014	Receivable (Deferred) July 31, 2014
<b>State of CT Department of Social Services</b>				
Supplemental Nutrition Assistance Program (SNAP)	66,497 66,504	10/1/12-9/30/13 10/1/13-9/30/14	37,666 28,838	4,111 28,838
Rewards to Quit	45,000	3/1/14-2/28/15	3,750	(7,500)
Medicaid Outreach Programs	34,356 34,356	7/1/13-6/30/14 7/1/14-6/30/14	31,493 2,863	16,316 2,863
<b>State of CT Department of Public Health:</b>				
AIDS Prevention/Risk Reduction	243,029 243,029	1/1/13-12/31/13 1/1/14-12/31/14	89,157 103,846	(15,190)
Community Health Services - Preventive and Primary Care	248,741 225,034	7/1/13-6/30/14 7/1/14-6/30/15	222,733 18,753	18,753
School Based Clinics	599,186 595,124	7/1/13-6/30/14 7/1/14-6/30/15	550,321 49,594	49,594
Women, Infants and Children	628,455 628,455	10/1/12-9/30/13 10/1/13-9/30/14	123,903 492,483	103,894
Women, Infants and Children Food Benefits	2,675,281	8/1/13-7/31/14	2,675,281	
<b>State of CT Judicial Branch:</b>				
Court Support Services Division	118,836 118,836	7/1/13-6/30/14 7/1/14-6/30/15	77,364 6,551	6,551
<b>Other:</b>				
Grants to Promote Health Information Technology	42,500	8/1/13-7/31/14	42,500	
Community Health Network	200,000	8/1/13-7/31/14	200,000	

Community Health Network	200,000	8/1/14-7/31/15	106,269	(93,731)
General Electric Foundation	100,000	8/1/13-7/31/14	100,000	
Other Private Grants:	34,000	8/1/13-7/31/14	34,000	15,000
	35,000			<u>(35,000)</u>
			<u>\$8,038,040</u>	<u>\$ 189,264</u>
Receivable				<u>\$ 340,685</u>
Deferred				<u>\$(151,421)</u>

#### 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

Office equipment	\$ 26,616
Furniture and fixtures	386,900
Land and building	16,883,745
Computer equipment	2,471,082
Dental equipment	815,734
Medical equipment	725,158
Leasehold improvement	<u>1,112,762</u>
	22,421,997
Accumulated depreciation and amortization	<u>(5,692,578)</u>
Property, plant and equipment, net	<u>\$16,729,419</u>

In the event the Department of Health and Human Services (DHHS) grants are terminated, DHHS reserves the right to transfer all property, plant and equipment purchased with grant funds and/or grant-related income to the Public Health Service or third parties.

#### 5. COMMUNITY HEALTH NETWORK

Southwest contributed \$83,333 for the formation of a Health Maintenance Organization, Community Health Network of Connecticut, Inc. ("CHN") along with eight other members. CHN, a non-stock, not-for-profit Corporation, was formed in order to enable the members to better compete in the Managed Care arena. The contribution agreement includes provisions for the repayment of this contribution at

the discretion of CHN. The investment in CHN is accounted for using the cost method as Southwest does not exercise significant influence over CHN's operating and financial activities.

6. **NOTES PAYABLE**

Notes payable consists of the following:

Note payable - \$6,800,000, secured by substantially all assets, @ 4.36% per annum, due April 2019	\$6,762,292
Less current portion	<u>154,183</u>
	<u>\$6,608,109</u>

As a condition of the refinancing and additional fiscal 2014 borrowings, approximately 1.1 million of debt has been forgiven in fiscal 2014, relating to the "New Markets Tax Credit."

The aggregate maturities of principal payments on the notes payable are as follows:

Year ending July 31,	
2015	\$ 154,183
2016	160,337
2017	168,371
2018	175,967
2019	<u>6,103,434</u>
	<u>\$6,762,292</u>

Interest expense on short-term borrowings and notes payable was approximately \$349,000.

**7. PATIENT SERVICES**

Patient services revenue consists of the following:

	<u>Gross Charges</u>	Contractual and Charitable Allowances and <u>Revisions</u>	<u>Net Revenue</u>
Medicaid	\$11,053,309	\$ (246,480)	\$10,806,829
Medicare	1,226,217	(261,395)	964,822
Private Insurance	1,246,414	(425,916)	820,498
Self-Pay	2,876,117	(1,946,672)	929,445
Other Public Insurance	<u>308,828</u>	<u>(131,510)</u>	<u>177,318</u>
	<u>\$16,710,885</u>	<u>\$(3,011,973)</u>	<u>\$13,698,912</u>

Medicare revenue is remitted to Southwest at the net reimbursement rates as determined by each program's cost report. Medicaid revenue is established based on adjusted 2000 PPS rates. Reimbursement rates are subject to revisions under the provisions of cost reimbursement regulations. Adjustments for such revisions are recognized in the fiscal year incurred.

**8. LEASES**

Furniture and equipment with a net book value of \$1,114,606 is being leased under capital lease agreements, which have various expiration dates through November 2018.

The present value of the future minimum lease payments are as follows:

2015	\$445,191
2016	376,636
2017	85,153
2018	66,985
2019	<u>16,891</u>
Total minimum lease payments	990,856
Less: Amount representing interest	<u>(72,146)</u>

Present value of minimum lease payments	918,710
Less: Current Portion	<u>406,197</u>
Non-Current Portion	<u>\$512,513</u>

Interest expense incurred on capital lease agreements was approximately \$56,000.

Southwest is committed to noncancelable operating leases for its facilities, equipment and practice management software which expire at various times through 2017.

Future minimum lease payments are as follows:

2015	\$ 80,887
2016	62,087
2017	<u>28,779</u>
	<u>\$171,753</u>

Rental expense for 2014, including in-kind expense, amounted to approximately \$89,000.

#### 9. DONATED MATERIALS, SPACE AND SERVICES

Donated materials, space and services consist of the following:

Pharmaceuticals	\$ 109,415
Occupancy	38,441
Vaccines	<u>548,190</u>
Total donated materials, space and services	<u>\$ 696,046</u>

#### 10. EMPLOYEE BENEFIT PLAN

Southwest has a discretionary contributory defined contribution 403(B) retirement plan covering substantially all full-time employees who meet certain eligibility requirements. The amount contributed to the plan is a fixed percentage of participants' compensation. The amount contributed for the year ended July 31, 2014 approximated \$71,000.

## 11. FAIR VALUE MEASUREMENTS

Southwest's investments are reported at fair value in the accompanying statement of financial position.

<u>Fair Value Measurements Using:</u>			
<u>July 31, 2014</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Marketable securities	\$ 1,555	\$ 1,555	
Investment in CHN	<u>83,333</u>	<u>                    </u>	<u>\$ 83,333</u>
Total	<u>\$ 84,888</u>	<u>\$ 1,555</u>	<u>\$ 83,333</u>

ASC Topic 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. Southwest uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, Southwest measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 inputs were available to Southwest, and Level 3 inputs were only used when Level 1 or Level 2 were not available.

### *Level 1 Fair Value Measurements*

The fair value of marketable securities is based on quoted market prices of the shares held by Southwest at year-end.

### *Level 3 Fair Value Measurements*

The investment in CHN is not actively traded and significant other observable inputs are not available. Thus, the fair value of the investment in CHN is recorded at cost, which approximates fair value. The following table provides further details of the Level 3 fair value measurements.

Fair Value Measurements Using  
Significant Unobservable Inputs  
(Level 3)

Investment in CHN

July 31, 2014

Beginning balance	\$ 83,333
Purchases, sales, issuances, and settlements (net)	-
	<hr/>
Ending balance	<u>\$ 83,333</u>

**12. CONTINGENCIES**

Southwest has received grants and contracts for specific purposes that are subject to review, audit and adjustment by the grantor agencies. Such audits could lead to requests for reimbursement to such agencies for any expenditures or claims disallowed under the terms of the agreements. Based on prior experience, management believes such disallowances, if any, will not be material to the financial statements.

Southwest is also subject to specific rules and regulations relating to Medicare and Medicaid programs, which can be subject to government review and interpretation as well as regulatory actions unknown and unasserted at this time. The Federal government activity has increased with respect to investigations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services. Management believes that Southwest is in substantial compliance with current laws and regulations and is not aware of any existing or pending investigations regarding noncompliance.

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

Southwest is involved in legal proceedings related to matters which are incidental to its business. In the opinion of management, based on consultation with counsel, the outcome of such proceedings will not materially affect Southwest's financial position or results of operations.

Pursuant to its 2007 bonding agreement with the State of Connecticut Department of Public Health, Southwest is obligated to return 10% of bond funds received, for each year it ceases operating prior to the 10 year term. The State has agreed to subordinate this claim to the primary lien holder.

The Health Information Technology for Economic and Clinical Health Act (the HITECH Act) was enacted into law on February 17, 2009 as part of the American Recovery and Reinvestment Act of 2009 (ARRA). The HITECH Act includes provisions designed to increase the use of electronic health records by both physicians and hospitals. Beginning with federal fiscal year 2011 and extending through federal fiscal year 2016, eligible physicians participating in the Medicare and Medicaid programs are eligible for reimbursement incentive based on successfully demonstrating meaningful use of its certified Electronic Health Record (EHR) technology. Conversely, those physicians that do not successfully demonstrate meaningful use of EHR technology are subject to reductions in reimbursements beginning in fiscal year 2015.

EHR incentive revenue is recognized when the Center is reasonably assured that the EHR meaningful use criteria for the required period of time were met and that the revenue will be received. EHR incentive payment revenue totaling \$42,500 for the year ended July 31, 2014 is included in grants and contracts in the accompanying statement of activities.

The Clinic's attestation of compliance with the meaningful use criteria is subject to audit by the Federal government.

The Clinic is subject to the administrative simplification provisions of HIPAA which require the use of uniform electronic data transmission standards for health care claims and payment transactions submitted or received electronically.

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John J. Visconti, MS, CPA

REPORT II

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

To the Board of Directors  
Southwest Community Health Center, Inc.  
46 Albion Street  
Bridgeport, Connecticut 06605

ID# 06-1023013

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 Southwest Community Health Center, Inc., which comprise the statement of financial position as of July 31, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated February 18, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Southwest 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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southwest Community Health Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Southwest 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 Southwest 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.

Visconti & Associates, P.C.

February 18, 2015

John J. Visconti, MS, CPA

**Independent Auditor's Report on Compliance for Each Major Federal Program; and Report on Internal Control Over Compliance Required by OMB Circular No. A-133**

To the Board of Directors  
Southwest Community Health Center, Inc.  
46 Albion Street  
Bridgeport, Connecticut 06605

ID# 06-1023013

**Report on Compliance for Each Major Federal Program**

We have audited Southwest 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 each of Southwest Community Health Center, Inc.'s major federal programs for the year ended July 31, 2014. Southwest Community Health Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs (Exhibit I).

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Southwest 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 Southwest 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 Southwest Community Health Center, Inc.'s compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Southwest 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 each of its major federal programs for the year ended July 31, 2014.

### **Report on Internal Control over Compliance**

Management of Southwest 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 Southwest 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 each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southwest 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 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 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.

*Visconti & Associates, P.C.*

February 18, 2015



Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA#</u>
Women, Infants and Children	10.557
Women, Infants and Children Food Benefits	10.557
Dollar threshold used to distinguish between Type A and Type B Program	<u>\$300,000</u>
Auditee qualified as low-risk auditee <input checked="" type="checkbox"/> yes	<input type="checkbox"/> no

**PART II - FINANCIAL STATEMENTS FINDINGS SECTION**

No matters were reported.

**PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COST SECTION**

No matters were reported.

**PART IV - DISPOSITION OF PRIOR YEAR FINDINGS**

No matters were reported.

**SCHEDULE 1**

**SOUTHWEST COMMUNITY HEALTH CENTER, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JULY 31, 2014**

Federal Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
Direct Programs:			
Section 330: Community Health Center Cluster	93.224		\$ 1,102,534
	93.224		1,176,190
Out Patient Early Intervention Services with Respect to HIV Disease	93.918		371,352
	93.918		123,798
Passed through Connecticut Community Health Center Association of Connecticut:			
Pediatric AIDS Program			
Ryan White Title IV	93.153	61112HA24859-01	97,633
Comprehensive Cancer Control Program	93.283		8,832
	93.283		1,152
Screening, Brief Intervention and Referral Treatment Program	93.243		18,146
	93.243		30,000
Passed through Community Health Network of Connecticut, Inc.			
Rewards to Quit	93.536	11 MHA 1027/01	3,750
Passed through GBAPP			
Ryan White Title I	93.914		60,591
	93.914		50,447
Passed through Connecticut Department of Public Health			
AIDS Prevention Education Services	93.940	11000-DPH48500- 12236	78,847
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>			
Passed through Connecticut Department of Public Health:			
Women, Infants and Children	10.557		123,903
Women Infants and Children	10.557		492,483
Women, Infants and Children Food Benefits	10.557		2,675,281
Passed through Connecticut Community Health Center Association of Connecticut:			
Supplemental Nutrition Assistance Program	10.561	094CHC-FSP-02-A1	37,666
	10.561		<u>28,838</u>
<b>TOTAL</b>			<b><u>\$6,481,443</u></b>

(A) Basis of Accounting – The schedule of expenditures of federal awards is prepared in accordance with OMB Circular No. A-133, *Audits of States, Local Governments and Non-Profit Organizations* and does not differ materially from generally accepted accounting principles. Expenses are recognized when they become a demand on current available financial resources and are liquidated within 60 days.

(B) Southwest, as a vaccinating provider, received vaccines valued at \$548,190 from the Connecticut Department of Public Health. Per OMB Circular No. A-133, Southwest is not considered a grantee or sub recipient.

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See Auditor's Report on Supplemental Information.



John J. Visconti, MS, CPA

**REPORT IV**

**Independent Auditor's Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance And Report On The Schedule Of Expenditures Of State Financial Assistance Required By The State Single Audit Act**

To the Board of Directors  
Southwest Community Health Center, Inc.  
46 Albion Street  
Bridgeport, Connecticut 06605

ID# 06-1023013

**Report on Compliance for Each Major State Program**

We have audited Southwest Community Health Center, Inc.'s compliance with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that could have a direct and material effect on each of Southwest Community Health Center, Inc.'s major state programs for the year ended July 31, 2014. The major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs (Exhibit II).

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Southwest Community Health Center, Inc.'s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act. (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act 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 state program occurred. An audit includes examining, on a test basis, evidence about Southwest 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 state program. However, our audit does not provide a legal determination of Southwest Community Health Center, Inc.'s compliance.

### **Opinion on Each Major State Program**

In our opinion, Southwest 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 each of its major state programs for the year ended July 31, 2014.

### **Report on Internal Control over Compliance**

Management of Southwest 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 Southwest 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 state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, 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 Southwest 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 state program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Act. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act**

We have audited the financial statements of Southwest Community Health Center, Inc., as of and for the year ended July 31, 2014 and have issued our report thereon dated February 18, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

*Visconti & Associates, P.C.*

February 18, 2015

**SOUTHWEST COMMUNITY HEALTH CENTER, INC.**

**STATE SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JULY 31, 2014**

**I. SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements:*

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified ?  yes  no
- Significant deficiency(ies) identified ?  yes  none reported
- Noncompliance material to financial statements noted ?  yes  no

*State Financial Assistance:*

Internal control over financial reporting:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?  yes  no

The following schedule reflects the major program included in the audit:

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
<b>DEPARTMENT OF PUBLIC HEALTH</b>		
School Based Clinics	11000-DPH48500-17019	\$599,915
• Dollar threshold used to distinguish between Type A and Type B programs:		<u>\$200,000</u>

**II. FINANCIAL STATEMENT FINDINGS**

- No matters were reported.

**III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

- No matters were reported.

**IV. DISPOSITION OF PRIOR YEAR FINDINGS**

- No matters were reported.

**SCHEDULE 2**

**SOUTHWEST COMMUNITY HEALTH CENTER, INC.**

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**SCHEDULE OF EXPENDITURES STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JULY 31, 2014**

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State Grantor/ Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
<b>Department of Public Health:</b>		
Community Health Center Program	11000-DPH48500-16060	\$241,486
AIDS Prevention/Risk Reduction	11000-DPH48500-12236	114,156
School Based Clinics	11000-DPH48500-17019	599,915
<b>Department of Social Services:</b>		
Passed through Community Health Center Association of Connecticut: Medicaid Outreach Programs	11000-DSS6000-10020	34,356
<b>Judicial Branch:</b>		
Court Support Services Division	11000-JUD96114-12043	<u>83,915</u>
<b>TOTAL</b>		<u><b>\$1,073,828</b></u>

See notes to schedule and Auditor's Report on Supplemental Information.

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## **SOUTHWEST COMMUNITY HEALTH CENTER, INC.**

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### **STATE FINANCIAL ASSISTANCE PROGRAMS NOTES TO SCHEDULE FOR THE YEAR ENDED JULY 31, 2014**

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Various departments and agencies of the State of Connecticut have provided financial assistance to Southwest Community Health Center, Inc. through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including operations and capital expenditures.

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Southwest Community Health Center, Inc. conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. The following is a summary of the more significant policies relating to the aforementioned grant programs.

##### ***Basis of Accounting***

The financial statements contained in Southwest Community Health Center, Inc.'s annual audit report are prepared on the accrual basis. The following is a summary of such basis:

- Revenues are recognized when earned.
- Expenditures are recorded as incurred.

The schedule of expenditures of state financial assistance, contained in this report is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts, if applicable, are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

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