

# **Sunset Park Health Council, Inc.**

(d/b/a Family Health Centers at NYU Langone)

**Report on Federal Awards in Accordance With  
the OMB Uniform Guidance**

**August 31, 2019**

**Entity Identification Number: 20-2508411**

**Sunset Park Health Council, Inc.**  
(d/b/a Family Health Centers at NYU Langone)  
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**August 31, 2019**

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**Part I**  
**Financial Statements**



## Report of Independent Auditors

To the Board of Trustees of  
Sunset Park Health Council, Inc.  
(d/b/a Family Health Centers at NYU Langone)

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Sunset Park Health Council, Inc. (d/b/a Family Health Centers at NYU Langone) and its subsidiary ("Sunset Park"), which comprise the consolidated balance sheets as of August 31, 2019 and 2018, and the related consolidated statements of operations, statements of changes in net assets and of cash flows for the years then ended, and the related notes to the financial statements.

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

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

### ***Auditor's Responsibility***

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

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

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sunset Park Health Council Inc. and its subsidiary as of August 31, 2019 and 2018, and the results of their operations, changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



### ***Emphasis of Matter***

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has reduced the number of sites that remain open for face-to-face patient visits and closed the majority of its school health program sites as a result of the novel coronavirus, resulting in decreases in net patient service revenue. The duration of the reduction in providing patient care cannot be estimated at this time and therefore, the impact to the Company's operations and liquidity is uncertain. As a result of these conditions, substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

As described in Note 2, Sunset Park has a significant related party relationship with NYU Langone Hospitals. Due to the significance of the transactions between Sunset Park and NYU Langone Hospitals, the results of operations of Sunset Park may not be indicative of the results which could have been attained if Sunset Park was not affiliated with NYU Langone Hospitals. Our opinion is not modified with respect to this matter.

As discussed in Notes 1 and 2 to the consolidated financial statements, Sunset Park changed the manner in which it presents net assets and reports certain aspects of its financial statements as a not-for-profit entity and the manner in which it accounts for revenue from contracts with customers in 2019. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Other Matter*

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The consolidating 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 consolidating 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 consolidating information is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the financial statements rather than to present the financial position, results of operations, changes in net assets and cash flows of the individual companies and is not a required part of the financial statements. Accordingly, we do not express an opinion on the financial position, results of operations, changes in net assets and cash flows of the individual companies.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended August 31, 2019 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for*



*Federal Awards* (Uniform Guidance) and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019 on our consideration of Sunset Park'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 for the year ended August 31, 2019. The purpose of that report is solely 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 the effectiveness of 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 Sunset Park's internal control over financial reporting and compliance.

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

New York, New York

December 20, 2019, except with respect to the matters that raise substantial doubt about Sunset Park's ability to continue as a going concern discussed in Note 1, as to which the date is April 20, 2020

**Sunset Park Health Council, Inc.**  
(d/b/a Family Health Centers at NYU Langone)  
**Consolidated Balance Sheets**  
**August 31, 2019 and 2018**

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<i>(in thousands)</i>	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 29,281	\$ 5,790
Patient accounts receivable, net	8,521	9,825
Grants and other receivables	5,907	6,709
Due from related organizations	227	2,920
Other current assets	162	205
Total current assets	<u>44,098</u>	<u>25,449</u>
Property, plant and equipment, net	16,004	12,092
Assets limited as to use - board designated	5,000	-
Assets limited as to use	451	304
Other assets	322	319
Total assets	<u>\$ 65,875</u>	<u>\$ 38,164</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 4,836	\$ 3,860
Accrued salaries and related liabilities	10,734	10,003
Due to related organizations	6,410	282
Deferred revenue	1,689	-
Total current liabilities	<u>23,669</u>	<u>14,145</u>
Due to third-party payors	7,324	7,317
Other long-term liabilities	1,067	936
Total liabilities	<u>32,060</u>	<u>22,398</u>
Net assets		
Net assets without donor restrictions	32,949	15,093
Net assets with donor restrictions	866	673
Total net assets	<u>33,815</u>	<u>15,766</u>
Total liabilities and net assets	<u>\$ 65,875</u>	<u>\$ 38,164</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Sunset Park Health Council, Inc.**  
(d/b/a Family Health Centers at NYU Langone)  
**Consolidated Statements of Operations**  
**Years Ended August 31, 2019 and 2018**

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<i>(in thousands)</i>	<b>2019</b>	<b>2018</b>
<b>Operating revenues and other support</b>		
Net patient service revenue	\$ 133,916	\$ 128,567
Capitation revenue	5,229	4,419
Grant revenue	45,526	36,322
Net assets released from restrictions for operations	78	584
Other revenue	4,454	5,474
Total operating revenues and other support	<u>189,203</u>	<u>175,366</u>
<b>Operating expenses</b>		
Salaries and wages	95,891	93,517
Employee benefits	35,770	35,714
Supplies and other expenses	43,142	39,560
Depreciation and amortization	1,589	1,663
Interest	5	42
Total operating expenses	<u>176,397</u>	<u>170,496</u>
Excess of revenue over expenses	12,806	4,870
<b>Other changes in net assets without donor restriction</b>		
Grant for capital and equipment	5,050	-
Increase in net assets without donor restriction	<u>\$ 17,856</u>	<u>\$ 4,870</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Sunset Park Health Council, Inc.**  
(d/b/a Family Health Centers at NYU Langone)  
**Consolidated Statements of Changes in Net Assets**  
**Years Ended August 31, 2019 and 2018**

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<i>(in thousands)</i>	<b>2019</b>	<b>2018</b>
<b>Changes in net assets without donor restrictions</b>		
Increase in net assets without donor restrictions	\$ 17,856	\$ 4,870
<b>Changes in net assets with donor restrictions</b>		
Contributions	271	166
Net assets released from restriction for operations	(78)	(584)
Increase (decrease) in net assets with donor restrictions	193	(418)
Increase in net assets	18,049	4,452
<b>Net assets</b>		
Beginning of year	15,766	11,314
End of year	\$ 33,815	\$ 15,766

The accompanying notes are an integral part of these consolidated financial statements.

**Sunset Park Health Council, Inc.**  
(d/b/a Family Health Centers at NYU Langone)  
**Consolidated Statements of Cash Flows**  
**Years Ended August 31, 2019 and 2018**

<i>(in thousands)</i>	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 18,049	\$ 4,452
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,589	1,663
Grants received for capital and equipment	(5,050)	-
Changes in operating assets and liabilities		
Patient accounts receivable, net	1,304	142
Grants and other receivables	802	540
Due to third-party payors	7	(4,578)
Other assets	-	47
Accounts payable and accrued expenses	976	729
Accrued salaries and related liabilities	731	1,535
Due to related organizations, net	8,821	(2,430)
Other operating assets and liabilities	1,860	(102)
Net cash provided by operating activities	<u>29,089</u>	<u>1,998</u>
<b>Cash flows from investing activities</b>		
Capital expenditures	(5,501)	(602)
Increase in assets limited as to use - board designated	(5,000)	-
Purchases of investments	(147)	(304)
Net cash used in investing activities	<u>(10,648)</u>	<u>(906)</u>
<b>Cash flows from financing activities</b>		
Grants received for capital and equipment	5,050	-
Net cash provided by financing activities	<u>5,050</u>	<u>-</u>
Net increase in cash and cash equivalents	23,491	1,092
<b>Cash and cash equivalents</b>		
Beginning of year	5,790	4,698
End of year	<u>\$ 29,281</u>	<u>\$ 5,790</u>
<b>Supplemental information</b>		
Noncash acquisitions of property, plant and equipment	\$ 78	\$ 32

The accompanying notes are an integral part of these consolidated financial statements.

**Sunset Park Health Council, Inc.**  
(d/b/a Family Health Centers at NYU Langone)  
**Notes to Consolidated Financial Statements**  
**August 31, 2019 and 2018**

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*(in thousands)*

**1. Organization and Summary of Significant Accounting Policies**

**Organization**

Sunset Park Health Council, Inc. (“Sunset Park”), a New York not-for-profit corporation d/b/a Family Health Centers at NYU Langone (“Health Center”), is a Federally Qualified Health Center (“FQHC”) that, prior to July 1, 2007, operated as a division of the legacy Lutheran Medical Center (“Lutheran”), located in Brooklyn, New York. The Health Center consists of several ambulatory care centers within the Lutheran’s service area, the largest of which is contained within the main hospital building. In addition, the Health Center includes several nonhealth care programs for the community such as services for older adults, services for children (daycares), English as a Second Language, job readiness training among others.

In 2007 (the “Effective Date”), Lutheran transferred the operations of the Health Center to Sunset Park to comply with the requirements of the Health Resources and Services Administration (“HRSA”) (within the United States Department of Health and Human Services) in order to maintain eligibility for a Federal Section 330 grant (“Section 330 grant”). Sunset Park has its own independent governing board responsible for the entire scope of operations and finances for the Health Center. Lutheran and Sunset Park entered into an Affiliation Agreement and a Support Services Agreement, whereby Sunset Park was established as a “co-operator” with Lutheran under the same New York State Department of Health operating certificate and Centers for Medicare and Medicaid Services provider number.

In 2016, Lutheran and NYU Langone Hospitals (“NYULH”) entered into a full asset merger, with NYULH as the successor entity. The merger did not alter the terms of the pre-existing Affiliation Agreement between Sunset Park and Lutheran, which was transferred to NYULH, and all governance provisions continue to comply with applicable federal laws. Upon merger, Lutheran was renamed NYU Langone Hospital-Brooklyn.

Sunset Park is the sole corporate member of Southwest Brooklyn Dental Practice, PLLC (“Southwest Dental”), which provides orthodontic and general dentistry services in Brooklyn, New York.

Sunset Park and Southwest Dental are Section 501(c)(3) organizations exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code and from New York State and City income taxes.

**Going Concern**

In January 2020, the World Health Organization declared the novel coronavirus (COVID-19) a Public Health Emergency of International Concern. The Centers for Disease Control and Prevention and state executive orders have limited non-emergent healthcare in an effort to contain the transmission of COVID-19. As a result, on March 16, 2020, Sunset Park reduced the number of staff physically present at most locations and moved towards virtual healthcare. As of April 20, 2020, four of Sunset Park’s nine full time sites continue to see patients face-to-face, if recommended by a virtual audio-visual appointment and all but three of Sunset Park’s school sites have closed. Sunset Park’s homeless shelters, emergency dentistry and physical therapy locations all remain open. The shift from face-to-face encounters to virtual encounters, as well as the shut-down of most school health locations resulted in a significant decrease in net patient service revenue and cash inflows, which is expected to continue until Sunset Park can increase visit

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**August 31, 2019 and 2018**

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*(in thousands)*

productivity in a virtual environment, and/or reopen for face-to-face encounters at the majority of locations.

In response, Sunset Park has planned several strategies to mitigate the decrease in net patient service revenue. As of April 2020, Sunset Park received three payments totaling \$3,720 from HRSA to help offset losses due to COVID-19 and improve cash flow. Management will continue to apply for federal funding under the Coronavirus Aid, Relief and Economic Security (CARES) Act, as well as funding from state and city agencies, however it cannot estimate the amount or availability of these anticipated fundings, if any. To reduce monthly payroll expense, Sunset Park has created an “employee pool” available to NYULH Brooklyn, through which Sunset Park employees have been redeployed to NYULH Brooklyn. Management will continue to monitor governmental actions (such as mandated school closings) to determine if further cost reduction actions, such as employee furloughs, are necessary.

Management believes that the measures it has taken or plans to take will aid Sunset Park in meeting its liquidity needs in the near term and further into 2020. However, due to the changes in operations described above and the uncertainty surrounding the duration and severity of these COVID-19 related changes, the ultimate impact will be material to Sunset Park’s results of operations and cash flows, and for these reasons there is a substantial doubt about Sunset Park’s ability to continue as a going concern.

**Basis of Presentation and Principles of Consolidation**

The accompanying consolidated financial statements are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America. The accompanying consolidated financial statements include the accounts of Sunset Park and Southwest Dental. Accordingly, amounts due from or to Sunset Park and Southwest Dental and the transactions between the entities have been eliminated in consolidation.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosure of contingent assets, liabilities, and net assets at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. The reserves for contractual adjustments and implicit price concessions within net patient accounts receivable and the estimated amounts due from and to third-party payors require the use of estimates. Actual results could differ from those estimates.

**Cash and Cash Equivalents and Assets Limited as to Use**

Sunset Park considers all highly liquid debt instruments purchased with a maturity of three months or less that are not deemed to be assets limited as to use to be cash and cash equivalents.

In fiscal year 2019, Sunset Park designated \$5,000 towards a Board Designated Fund with the understanding that any expenditure of such dollars must be approved by the Board of Trustees, must further the objectives of the Health Center and must not be specifically prohibited under Section 330 of the Public Health Service Act (“PHSA”), consistent with 42 U.S.C. 254b(e)(5)(D).

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(in thousands)

Sunset Park's cash and cash equivalents and assets limited as to use – board designated are held by a commercial bank. Certain of the amounts held by the bank are not insured or guaranteed by the U.S. government.

Sunset Park's externally restricted assets limited as to use consists of deferred compensation plan assets.

**Property, Plant and Equipment**

Property, plant and equipment acquisitions are recorded at cost or, if received by gift, at fair market value at the date of contribution. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Estimated useful lives by classification are as follows:

Buildings and improvements	5–40 years
Equipment	3–25 years

**Asset Impairment**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When such events or changes in circumstances indicate an asset may not be recoverable, an impairment loss is recognized in an amount by which the asset's carrying value exceeds its estimated fair value. No such losses were recognized during the years ended August 31, 2019 and 2018.

**Capitation Revenue**

Sunset Park recognized revenue from third-party payors under capitated arrangements with third-party based on a predetermined monthly reimbursement rate for each member of an insurer's health plan regardless of the number or cost of services provided to those members by Sunset Park. Sunset Park is typically reimbursed by the third-party payors with capitated arrangements in the same month services are performed, essentially giving rise to no outstanding accounts receivable at the end of a reporting period. Sunset Park's largest capitation contract is with BlueCross BlueShield HealthPlus ("HealthPlus"), a New York limited liability company to provide medical services to subscribing participants on a capitated basis. Sunset Park received \$3,624 and \$3,458 in capitation payments from HealthPlus during the years ended August 31, 2019 and 2018, respectively.

**Charity Care**

Sunset Park provides care to patients who meet certain criteria under its charity care policy at amounts less than its established rates. Because Sunset Park does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. This charity care policy is applicable to Sunset Park only; Southwest Dental does not provide charity care services.

**Net Assets**

Net assets with donor restrictions are those whose use by Sunset Park has been limited by donors to a specific time period or purpose. When a donor restriction expires, that is, when a stipulated time restriction or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as net assets without donor

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(in thousands)

restrictions in the accompanying consolidated financial statements. Substantially all of Sunset Park's net assets with donor restrictions are restricted for patient care services and educational programs.

**Grant Revenue**

Sunset Park receive grant funding from various federal, state, and city agencies. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return, or it may be a nonreciprocal non-exchange transaction in which the funding provided is for the benefit of Sunset Park, the funding organization's mission, or the public at large. The majority of Sunset Park's grant revenue consists of non-exchange transactions.

Revenues from non-exchange transactions may be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments). Revenue from conditional non-exchange transactions is recognized when the barrier is satisfied (typically when costs are incurred or milestones are achieved). Unspent conditional contributions from grants total \$15,454 at August 31, 2019. Revenue from unconditional non-exchange transactions are recognized in the year that the grant is awarded. To the extent that Sunset Park receives grants for capital, they are excluded from the performance indicator.

For the years ended August 31, 2019 and 2018, Sunset Park recorded revenues of \$16,966 and \$14,988, respectively related to its Section 330 grant.

**Performance Indicator**

For purposes of presentation, Sunset Park considers all of its health care and related activities to be part of its normal operations and considers the excess of revenue over expenses as the performance indicator. Other changes in net assets without donor restrictions that are excluded from the excess of revenue over expenses, consistent with industry practice, include grants received for capital and equipment.

**Income Taxes**

The FASB guidance on accounting for uncertainty in income taxes clarifies the accounting for uncertainty of income tax positions. This guidance defines the threshold for recognizing tax return positions in the financial statements as "more likely than not" that the position is sustainable, based on its technical merits. The guidance also provides guidance on the measurement, classification and disclosure of tax return positions in the consolidated financial statements. Uncertain income tax positions did not have a significant impact on Sunset Park's consolidated financial statements during the years ended August 31, 2019 and 2018.

**Reclassifications**

Certain amounts in the 2018 consolidated financial statements have been reclassified to conform to the current year's presentation.

**New Authoritative Pronouncements**

*Authoritative Pronouncements adopted*

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU implements a single framework for revenue recognition ensuring that revenue is recognized in a manner which reflects the consideration to which the entity expects to be entitled to in exchange for goods and services. Sunset Park has adopted ASU 2014-09 in fiscal year 2019 on a full

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(in thousands)

retrospective basis. Adoption did not have a material impact on Sunset Park's consolidated financial statements and changes have been applied to on a full retrospective basis (Note 2).

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not for Profit Entities*. Sunset Park has adopted this standard retrospectively in fiscal year 2019. Under the new guidance, the existing three category classification of net assets (i.e., unrestricted, temporarily restricted, and permanently restricted) are replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions." Unrestricted net assets have been renamed "net assets without donor restriction." The guidance also enhances disclosures about liquidity and expenses by both natural and functional classification (Notes 4 and 8, respectively). Adoption did not have a material impact on Sunset Park's consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides additional guidance for evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance, and for determining whether a contribution is conditional or unconditional. Sunset Park adopted ASU 2018-08 in fiscal year 2019 on a modified prospective basis and adoption did not have a material impact on the consolidated financial statements.

*Authoritative Pronouncements not yet adopted*

In February 2016, the FASB issued ASU 2016-02, *Leases*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, representing the lessee's right to use, or control the use of, a specified asset for the lease term. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842), Targeted Improvements*, to provide an additional transition method to adopt the guidance by allowing entities to initially apply the new leases standard at the adoption date and recognize a cumulative effect to the opening balance of net assets. The standard is effective for fiscal years beginning after December 15, 2018. Sunset Park expects adoption to have a material impact on the consolidated balance sheet as of August 31, 2020, as it will record additional right-of-use lease assets and lease liabilities with respect to its current operating leases.

## **2. Patient Accounts Receivable and Net Patient Service Revenue**

Sunset Park, through NYULH, has agreements with third-party payors that provide for payments at amounts different from their established rates. Payment arrangements include prospectively determined rates, reimbursed costs, and discounted charges.

Sunset Park grants credit without collateral to its patients, many of whom are local residents and are insured under Medicaid, Medicare or Third-party payor arrangements. Sunset Park bills patients, governmental and third-party payers after services are performed. Patient service revenue is recognized as performance obligations are satisfied over a short period of time based on total expected charges. Performance obligations are related to patients receiving outpatient services.

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**Notes to Consolidated Financial Statements**  
**August 31, 2019 and 2018**

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*(in thousands)*

Sunset Park measures the performance obligation from the commencement of an outpatient or physician service to the point when it is no longer required to provide services to that patient, which is generally the completion of the outpatient service.

Billings related to services rendered are recorded as net patient service revenue in the period in which the service is performed and reflects the consideration to which Sunset Park expects to be paid in exchange for providing patient care. Sunset Park determines the transaction price based on gross charges for services provided, reduced by contractual adjustments provided to third-party payers based on contractual agreements and discounts provided to uninsured patients in accordance with Sunset Park's policy. The adoption of ASU 2014-09 resulted in changes to the presentation and disclosure of revenue primarily related to uninsured or underinsured patients. For the years ended August 31, 2019, and 2018, Sunset Park recorded \$505 and \$35 of implicit price concessions as a direct reduction to net patient service revenue that would have been recorded as provisions for bad debts prior to the adoption of ASU 2014-09.

Sunset Park estimates its implicit price concessions using a quarterly standardized approach to review historical collections based on major payor classification as a practical expedient to account for patient contracts as collective groups rather than individually. Based on historical collection trends, the financial statement effects of using this practical expedient are not materially different from an individual contract approach. In addition, Sunset Park assesses the current state of its billing functions in order to identify any known collection or reimbursement issues and assess the impact, if any, on estimates. Sunset Park believes that the collectability of its receivables is directly linked to the quality of its billing processes, most notably those related to obtaining the correct information in order to bill effectively for the services it provides. Subsequent changes to the estimate of transaction price are recorded as adjustments to net patient service revenue in the period of the change.

Patient accounts receivable and net patient service revenue are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Under the terms of various agreements, regulations, and statutes, certain elements of third-party reimbursement are subject to negotiation, audit, and/or final determination by the third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined or estimates are changed. Contracts, laws, and regulations governing Medicare, Medicaid, Blue Cross, and various HMO and PPO contracts are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the future. Changes in estimates increased net patient service revenue by \$660 and \$713 for the years ended August 31, 2019 and 2018, respectively.

Sunset Park's estimated settlements with third-party payors has been classified as long term because such amounts, by their nature or by virtue of regulation or legislation, are not expected to be paid within one year.

The following is a summary of the payment arrangements with Sunset Park's major third-party payors:

**Sunset Park Health Council, Inc.**  
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**August 31, 2019 and 2018**

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(in thousands)

**Medicare**

Most outpatient services are paid under Medicare’s Outpatient Prospective Payment System (“OPPS”) based on Ambulatory Payment Classification (“APC”) groups. Those outpatient services excluded from OPPS continue to be paid based on fee schedules or cost-based methodologies. Sunset Park is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports.

**NonMedicare Payments**

The New York State Legislature (“NYS”) enacted the Health Care Reform Act of 2000 (“HCRA 2000”). Under HCRA 2000, all nonMedicare payors, except Medicaid, workers’ compensation, and no-fault insurance programs negotiate payment rates with the individual providers. If negotiated rates are not established, payors are billed at the provider’s established charges. Medicaid, workers’ compensation, and no-fault payors’ pay rates, are promulgated by the New York State Department of Health on a prospective basis. Adjustments to current and prior years’ rates for these payors will continue to be made in the future.

Laws and regulations governing health care programs are complex and subject to interpretation. Action for noncompliance with such laws and regulations includes fines, penalties and exclusion from the Medicare and Medicaid programs. Sunset Park is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

Patient service revenue, net of contractual adjustments and discounts and implicit price concessions is as follows for the years ended August 31, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Gross charges	\$ 483,861	\$ 506,158
Contractual adjustments and implicit price concessions	<u>(349,945)</u>	<u>(377,591)</u>
Net patient service revenue	<u>\$ 133,916</u>	<u>\$ 128,567</u>

The mix of patient service revenue for the years ended August 31, 2019 and 2018, by major payor source, is as follows:

	<b>2019</b>	<b>2018</b>
Medicare (including Medicare managed care)	28%	25%
Medicaid (including Medicaid managed care)	57%	61%
Other third-party payors	13%	12%
Self-pay	<u>2%</u>	<u>2%</u>
	<u>100%</u>	<u>100%</u>

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(in thousands)

The mix of net patient accounts receivables at August 31, 2019 and 2018 is as follows:

	2019	2018
Medicare (including Medicare managed care)	10%	13%
Medicaid (including Medicaid managed care)	70%	67%
Other third-party payors	17%	18%
Self-pay	3%	2%
	<u>100%</u>	<u>100%</u>

**3. Charity Care and Community Services**

The mission of Sunset Park is to provide health care to the medically underserved populations in its service area, to enhance the quality of services provided to its patients, and to improve the availability, accessibility, continuity, and acceptability of services provided to the populations served by the Health Center. The Health Center is a network of eight neighborhood primary care sites, twenty-two school health programs with thirty-seven dental programs, eleven homeless shelters and a diverse range of community-based programs that provide approximately 619,000 medical and dental visits annually. In addition, the Health Center operates numerous community benefit programs that seek to improve the health and welfare of the community.

In keeping with its charitable mission, Sunset Park provides medical care to all patients, regardless of their ability to pay. All patients are notified of the availability of free and reduced-price care, and patients are evaluated for charity care in accordance with established policies. Patients are eligible for the charity care fee schedule if they meet certain income and liquid asset tests. Sunset Park's charity care income requirements range from 0%-800% of the federal poverty level, which is consistent with NYULH's policy. NYULH subsidizes the cost of providing charity care to patients with income between 300%-800% of federal poverty level, which totaled \$2,432 and \$2,574 for the years ended August 31, 2019 and 2018, respectively.

Gross charges associated with providing care to charity patients includes only the related charges for those patients who are financially unable to pay and qualify under Sunset Park's charity care policy and that do not otherwise qualify for reimbursement from a governmental program. Foregone charges for charity care totaled approximately \$43,600 and \$49,900 for the years ended August 31, 2019 and 2018, respectively. The estimated cost incurred by Sunset Park to provide services to such patients was approximately \$17,390 and \$18,331 for the years ended August 31, 2019 and 2018, respectively. The estimated cost of these charity care services was determined using a ratio of cost to gross charges and applying that ratio to the gross charges associated with providing care to charity patients for the period.

**Sunset Park Health Council, Inc.**  
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(in thousands)

**4. Liquidity and Availability of Resources**

Financial assets and resources available to meet the cash needs for general expenditures within one year of the date of the consolidated balance sheets were as follows:

	<b>2019</b>	<b>2018</b>
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 29,281	\$ 5,790
Patient accounts receivable, net	8,521	9,825
Grants and other receivables	5,907	6,709
Due from related organizations	227	2,920
Other current assets	162	205
	<u>44,098</u>	<u>25,449</u>
<b>Liquidity Resources</b>		
Assets limited as to use - board designated	5,000	-
	<u>\$ 49,098</u>	<u>\$ 25,449</u>

As part of Sunset Park's liquidity management, it is policy to classify financial assets based on their availability for use rather than on the timing of their intended use. Sunset Park's board designated assets limited as to use, if needed, and with Board approval, could be used as a resource to meet cash needs for general expenditures within one year.

**5. The Affiliation and Support Services Agreements**

In addition to its Affiliation Agreement (Note 1), Sunset Park has three support services agreements with NYULH, NYU Langone Health System, and NYU School of Medicine (collectively, the "parties"). The following summarizes the terms of the Affiliation and Support Services Agreements between the parties:

**Sunset Park Authority**

Sunset Park has all the authority, with respect to the Health Center, required to qualify as a federally qualified health center and to receive Section 330 grants and has autonomy over all decisions related to its operation, budget, and scope of services of the Health Center.

**Provision of Clinical Services**

Sunset Park is responsible for ensuring that the clinical services of the Health Center are available and accessible promptly, as appropriate, and in a manner which ensures continuity of service to the residents of each Health Center's area. In providing clinical services, the parties agreed to utilize the licensed physicians and other health care professionals employed and/or otherwise engaged by Sunset Park. Such physicians are also generally members of the medical and dental staffs of NYULH or NYU School of Medicine.

**Sunset Park Health Council, Inc.**  
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*(in thousands)*

**Property, Plant and Equipment**

As of the Effective Date (Note 1), legal title to the property, plant and equipment associated with the Health Center remained with Lutheran. Sunset Park obtained exclusive use of the property and equipment for the term of the Affiliation Agreement in connection with its co-operation of the Health Center. Accordingly, the carrying value of the property and equipment was transferred to Sunset Park, along with the responsibility for all related operating and capital costs. The net book value of the assets transferred was approximately \$10,036 as of the Effective Date. In addition, during 2010, Sunset Park acquired, and took legal title to, equipment and building improvements with a cost of approximately \$3,132. Such assets are covered by the terms of the Affiliation Agreement and, accordingly, Sunset Park has accounted for these assets by recording the cost and related depreciation expense in its financial statements.

Lutheran agreed to transfer full title for three health center facilities to Sunset Park upon the expiration of the HUD covenants. The HUD mortgage was paid off in December 2015 and the title to these properties was moved to Sunset Park.

**Employees**

Certain NYULH employees, including those covered by collective bargaining agreements executed by and binding on NYULH, provide services to the Health Center. Such employees remain employees of NYULH but are contracted to Sunset Park.

**Services and Flow of Funds**

Sunset Park maintains a bank account into which all Section 330 grant funds (and other grants for which Sunset Park is the direct recipient) are directly deposited. NYULH bills patients and third-party payors, including Medicare and New York State Medicaid, for the Health Center's services generally in accordance with Sunset Park's schedule of charges and discounts. NYULH has agreed to collect such billings in accordance with Sunset Park's collection policies. Such collections are initially deposited into the accounts of NYULH; however, separate accountability is maintained. The parties agreed to allocate certain amounts initially received or paid by NYULH. Amounts allocated include: (i) the New York State general hospital indigent care pool (or successor pool) distributions attributable to the provision of uncompensated care services at the Health Center sites, (ii) costs associated with physician supervision and training of residents in NYULH sponsored residency programs in connection with their clinical rotations to Health Center sites, (iii) Medicare Graduate Medical Education (GME) reimbursement associated with dental and other residents whose principal site of training consist of one or more Health Center sites, and (iv) costs related to the occupational health program operated through the Health Center. The amounts to be transferred are determined prospectively based on mutually agreed upon annual budgets. The revenue allocated from NYULH to Sunset Park amounted to \$35,423 and \$36,098 the years ended August 31, 2019 and 2018, respectively.

NYULH provides certain administrative support services including accounting, human resources support, and information technology/systems management support, professional affairs, quality assurance, laboratory and other services for which it receives an annual fee. NYULH also pays certain nonpayroll and payroll amounts on behalf of Sunset Park and certain other amounts are paid by NYULH and allocated to Sunset Park based upon predetermined annual budgets. On a monthly basis, the excess (or deficiency) of cash collected plus or minus allocated net revenue or expenses over expenses paid by NYULH on Sunset Park's behalf and the NYULH service fee for providing support services is reported as due to related organizations in the accompanying

**Sunset Park Health Council, Inc.**  
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(in thousands)

consolidated balance sheets. Such amount is due on demand. The amounts charged to Sunset Park by NYULH for these services amounted to \$11,249 and \$11,877 for each of the years ended August 31, 2019 and 2018, respectively, and are included in supplies and other expenses on the consolidated statements of operations.

**Term of the Agreements**

The Affiliation and Support Services Agreements remain in effect for so long as Sunset Park receives the Section 330 grant to support the Health Center and the parties remain co-operators under the same license in accordance with state law, unless otherwise terminated in the event of a material breach of any material term or condition of the agreements or upon the mutual agreement of the Sunset Park and NYULH. The Agreements will also terminate immediately in the event of the revocation, termination, or expiration of the Section 330 grant. Upon termination or expiration of this Agreement, the parties agreed to cooperate in the orderly winding down of the co-operation status.

**6. Property, Plant and Equipment**

Property, plant and equipment at August 31, 2019 and 2018 is as follows:

	<b>2019</b>	<b>2018</b>
Land and improvements	\$ 287	\$ 287
Buildings and improvements	20,479	14,919
Equipment	21,281	20,832
Leasehold improvements	10,123	10,083
	<u>52,170</u>	<u>46,121</u>
Less: Accumulated depreciation and amortization	<u>(36,166)</u>	<u>(34,577)</u>
	16,004	11,544
Construction in progress	-	548
	<u>\$ 16,004</u>	<u>\$ 12,092</u>

**7. Retirement Benefits**

**Defined Benefit Pension Plan**

Certain of Sunset Park's employees participate in the Lutheran Medical Center defined benefit plan (the "Pension Plan") which was frozen during 2003. During the year ended August 31, 2019 and 2018, Sunset Park was allocated pension expense of approximately \$1,107 and \$595, which is recorded within employee benefits in the consolidated statements of operations. The Pension Plan's total benefit obligation was \$441,489 and \$357,432 as of August 31, 2019 and 2018, respectively. The fair value of the Pension Plan's assets was \$261,151 and \$271,836 as of August 31, 2019 and 2018, respectively. The unfunded status of the Pension Plan was \$180,338 and \$85,596 as of August 31, 2019 and 2018, respectively.

**Sunset Park Health Council, Inc.**  
(d/b/a Family Health Centers at NYU Langone)  
**Notes to Consolidated Financial Statements**  
**August 31, 2019 and 2018**

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(in thousands)

**Defined Contribution Plan**

Certain Sunset Park employees participated in Lutheran Medical Center 401(k) plan, which covers full and part-time non-union employees (scheduled to work at least 50% of the full-time standard) not covered under the Pension Plan. On January 1, 2018, Sunset Park changed to a 403(b) plan, which, like the prior 401(k), also covers full and part-time non-union employees scheduled to work at least 50% of the full time standard. The legacy 401(k) plan was frozen as of December 31, 2017. For the years ended August 31, 2019 and 2018, the expense was \$4,291 and \$3,171, respectively.

**8. Functional Expenses**

The consolidated statement of operations reports certain expense categories that are attributable to both health care related services and general and administrative functions. Therefore, the natural expenses require allocation on a reasonable basis across functional expense categories. Salaries and wages are allocated based on a percent-to-total of health care related services salaries and general and administrative salaries. Expenses that can be identified with specific health care related services are charged directly. Other expenses including depreciation, amortization and interest, are allocated by various statistical bases. Expenses by functional and natural classification are as follows for the years ended August 31, 2019 and 2018:

	<b>2019</b>		
	<b>Health Care Related Services</b>	<b>General and administrative</b>	<b>Total</b>
Salaries and wages	\$ 87,961	\$ 7,930	\$ 95,891
Employee benefits	32,628	3,142	35,770
Supplies and other	32,711	10,431	43,142
Depreciation and amortization	1,573	16	1,589
Interest	4	1	5
Total	<u>\$ 154,878</u>	<u>\$ 21,519</u>	<u>\$ 176,397</u>
	<b>2018</b>		
	<b>Health Care Related Services</b>	<b>General and administrative</b>	<b>Total</b>
Salaries and wages	\$ 87,447	\$ 6,070	\$ 93,517
Employee benefits	33,326	2,388	35,714
Supplies and other	29,841	9,719	39,560
Depreciation and amortization	1,646	17	1,663
Interest	37	5	42
Total	<u>\$ 152,296</u>	<u>\$ 18,200</u>	<u>\$ 170,496</u>

**Sunset Park Health Council, Inc.**  
(d/b/a Family Health Centers at NYU Langone)  
**Notes to Consolidated Financial Statements**  
**August 31, 2019 and 2018**

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*(in thousands)*

**9. Commitments and Contingencies**

**Professional Liabilities**

As a federally qualified community health center, professional liability coverage is provided on an occurrence basis under certain legislative covenants of the PHSA. As such, no liabilities have been recorded at August 31, 2019 and 2018.

Malpractice and general liability claims have been asserted against NYULH by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. Furthermore, there are incidents that have occurred through August 31, 2019 and 2018, that may result in the assertion of additional claims and other claims may be asserted arising from services provided in the past. Certain of these claims relate to the operations of the Health Center which were transferred to Sunset Park. As these claims have, to date, been asserted against NYULH and not Sunset Park, the related estimated liabilities have been recorded by NYULH at August 31, 2019 and 2018. The Affiliation Agreement does not address the treatment of these claims.

Southwest Dental has purchased professional liability insurance coverage on an occurrence basis from a commercial insurance carrier. There were no claims asserted at either August 31, 2019 or 2018.

**Litigation**

Sunset Park is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management believes that these matters will be resolved without material adverse effect on Sunset Park's financial position, results of operations, or cash flows.

**Operating Leases**

Sunset Park leases space and equipment under noncancelable operating leases. Total rental expense charged to operations aggregated approximately \$2,078 and \$1,893 for the years ended August 31, 2019 and 2018, respectively.

During 2010, construction was completed on a new health center facility owned by Lutheran. During 2012, Sunset Park and Lutheran entered into an Agreement whereby Sunset Park was granted exclusive use of the building during the term of the Affiliation Agreement. The Agreement was for an initial term of five years and automatically renews at Sunset Park's option in additional five-year increments. The total term of the Agreement is thirty-one years should the Affiliation Agreement remain in effect and Sunset Park exercise its options. Sunset Park is charged \$418 annually over the term of the agreement.

**Sunset Park Health Council, Inc.**  
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**August 31, 2019 and 2018**

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(in thousands)

At August 31, 2019, future minimum payments, by year for noncancelable operating leases with initial or remaining terms of one year or more consisted of the following:

	<b>Operating Leases</b>	<b>Lease With NYULH</b>
<b>Years Ending August 31,</b>		
2020	\$ 1,309	\$ 418
2021	819	418
2022	782	418
2023	614	418
2024	471	418

There are no noncancelable operating leases extending past fiscal year 2024.

**10. Subsequent Events**

Sunset Park has evaluated subsequent events through December 20, 2019, which is the date the consolidated financial statements were issued.

Effective September 1, 2019, Sunset Park became the sole corporate member of Sunset Bay Community Services, Inc ("Sunset Bay"). Prior to that date, NYU Langone Health System was the sole corporate member of Sunset Bay.

## **Consolidating Supplemental Schedules**

**Sunset Park Health Council, Inc.**  
(d/b/a Family Health Centers at NYU Langone)  
**Consolidating Balance Sheet**  
**August 31, 2019**

	Sunset Park	Southwest Dental	Eliminations	Total
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 28,895	\$ 386	\$ -	\$ 29,281
Patient accounts receivable, net	8,398	123	-	8,521
Grants and other receivables	5,907	-	-	5,907
Due from related organizations	462	28	(263)	227
Other current assets	162	-	-	162
Total current assets	43,824	537	(263)	44,098
Property, plant and equipment, net	15,983	21	-	16,004
Assets limited as to use - Board designated	5,000	-	-	5,000
Assets limited as to use	451	-	-	451
Other assets	(313)	67	568	322
Total assets	\$ 64,945	\$ 625	\$ 305	\$ 65,875
<b>Liabilities and Net Assets</b>				
Current liabilities				
Accounts payable and accrued expenses	\$ 4,836	\$ -	\$ -	\$ 4,836
Accrued salaries and related liabilities	10,723	11	-	10,734
Due to related organizations	6,338	335	(263)	6,410
Deferred revenue	1,689	-	-	1,689
Total current liabilities	23,586	346	(263)	23,669
Due to third-party payors	7,324	-	-	7,324
Other long-term liabilities	1,067	-	-	1,067
Total liabilities	31,977	346	(263)	32,060
Net assets				
Net assets without donor restrictions	32,102	279	568	32,949
Net assets with donor restrictions	866	-	-	866
Total net assets	32,968	279	568	33,815
Total liabilities and net assets	\$ 64,945	\$ 625	\$ 305	\$ 65,875

The accompanying note is an integral part of these supplemental schedules.

**Sunset Park Health Council, Inc.**  
(d/b/a Family Health Centers at NYU Langone)  
**Consolidating Statement of Operations**  
**Year Ended August 31, 2019**

	Sunset Park	Southwest Dental	Eliminations	Total
<b>Operating revenues and other support</b>				
Net patient service revenue	\$ 133,694	\$ 222	\$ -	\$ 133,916
Capitation revenue	5,229	-	-	5,229
Grant revenue	45,526	-	-	45,526
Net assets released from restrictions for operations	78	-	-	78
Other revenue	4,454	-	-	4,454
Total operating revenues and other support	188,981	222	-	189,203
<b>Operating expenses</b>				
Salaries and wages	95,453	438	-	95,891
Employee benefits	35,660	110	-	35,770
Supplies and other expenses	42,648	494	-	43,142
Depreciation and amortization	1,579	10	-	1,589
Interest	5	-	-	5
Total operating expenses	175,345	1,052	-	176,397
Excess (deficiency) of revenue over expenses	13,636	(830)	-	12,806
<b>Other changes in net assets without donor restriction</b>				
Grant for capital and equipment	5,050	-	-	5,050
Increase (decrease) in net assets without donor restrictions	18,686	(830)	-	17,856

The accompanying note is an integral part of these supplemental schedules.

**Sunset Park Health Council, Inc.**  
(d/b/a Family Health Centers at NYU Langone)  
**Note to Consolidating Supplemental Information**  
**Year Ended August 31, 2019**

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**1. Basis of Presentation – Consolidating Supplemental Information**

The consolidating supplemental schedules (“consolidating schedules”) presented on pages 20-21 were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating schedules are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, changes in net assets and cash flows of the individual companies of Sunset Park and Southwest Dental and are not a required part of the consolidated financial statements.

The consolidating financial statements were prepared on an accrual basis of accounting, consistent with the consolidated financial statements (Note 1). All transactions between and amounts due to (from) Sunset Park and Southwest Dental have been eliminated within the consolidating supplemental schedules.

**Part II**  
**Supplemental Schedule of Expenditures of Federal Awards**

# Sunset Park Health Council, Inc.

(d/b/a Family Health Centers at NYU Langone)

## Schedule of Expenditures of Federal Awards Year Ended August 31, 2019

Federal Program	CFDA	Direct	Pass-Through	Pass-Through Entity	Pass-Through Entity Sponsor Number/ Contract Award Number	Total Expenditures	Passed to Sub-Recipients
<b>U.S. Department of Agriculture</b>							
Special Supplemental Food Program for Women, Infants and Children	10.557	\$ -	\$ 12,341,397	New York State Department of Health	DOH01-C30464GG-3450000	\$ 12,341,397	\$ -
Child and Adult Care Food Program	10.558	-	118,435	New York State Department of Health	CACFP Agreement# 06616	118,435	-
Total U.S. Department of Agriculture		-	12,459,832			12,459,832	-
<b>U.S. Department of Housing and Urban Development</b>							
Multifamily Housing Service Coordinator Program	14.191	-	21,081	Shore Hill Housing Associates L.P.	N/A	21,081	-
Total U.S. Department of Housing and Urban Development		-	21,081			21,081	-
<b>U.S. Department of Health and Human Services</b>							
<b>Aging Cluster</b>							
Title III-C1 of OAA Nutrition Services in a Congregate setting	93.045	-	50,501	New York City Department for the Aging	DFTA ID 27K	50,501	-
Title III-C1 of OAA Nutrition Services in a Congregate setting	93.045	-	27,676	New York City Department for the Aging	DFTA ID 27L	27,676	-
Total Aging Cluster		-	78,177			78,177	-
Nutrition Service Incentive Program	93.053	-	10,521	New York City Department for the Aging	DFTA ID 27K	10,521	-
Nutrition Service Incentive Program	93.053	-	13,060	New York City Department for the Aging	DFTA ID 27L	13,060	-
Total Aging Cluster		-	23,581			23,581	-
		-	101,758			101,758	-
<b>Health Center Program Cluster</b>							
Community Health Centers, Section 330, Federally Qualified Health Center	93.224	4,426,314	-			4,426,314	-
Community Health Centers, Section 330H, Federally Qualified Health Center	93.224	1,221,201	-			1,221,201	-
Total Health Center Program Cluster		5,647,515	-			5,647,515	-
Community Health Centers, Section 330, Federally Qualified Health Center	93.527	8,916,820	-			8,916,820	1,398,174
Community Health Centers, Section 330H, Federally Qualified Health Center	93.527	2,401,733	-			2,401,733	-
Total Health Center Program Cluster		11,318,553	-			11,318,553	1,398,174
		16,966,068	-			16,966,068	1,398,174
<b>Substance Abuse and Mental Health Services Administration (SAMHSA)</b>							
The Sunset Terrace Integration and Recovery Program	93.243	85,269	-			85,269	-
(HIV CBI) - HIV Capacity Building Initiative Youth	93.243	199,990	-			199,990	-
(MAI-SI) - Minority AIDS Initiative-Service Integration	93.243	280,363	-			280,363	-
(MAT-PDOA) - Medication Assisted Treatment-Prescription Drug and Opioid Addiction	93.243	175,473	-			175,473	-
Total SAMHSA		741,095	-			741,095	-
<b>Primary Care Nurse Practitioner Clinical Practice and Preceptor Professional Development Model</b>	93.247	-	124,845	New York University College of Nursing	Contract No. D09HP28976	124,845	-
<b>Immunization Program, Centers for Disease Control and Prevention (CDC)</b>	93.288	-	2,955,303	New York City Department of Health and Mental Hygiene	N/A	2,955,303	-
<b>Research and Development Cluster</b>							
Randomized trial of community health worker coaching - black male prostate cancer screening	93.307	-	26,788	New York University School of Medicine	18-A1-00-007896	26,788	-
Implementing an Intervention to Address Social Determinants of Health in Pediatric Practices (WE CARE)	93.865	-	55,267	Academic Pediatric Association	1R01HD09019-01	55,267	-
Total Research and Development Cluster		-	82,055			82,055	-
<b>Central Brooklyn Sexual Risk Avoidance Education (SRAE) Program</b>	93.325	-	12,527	New York State Department of Health	DOH01-C34620GG-3450000	12,527	-

The accompanying notes are an integral part of this schedule.

# Sunset Park Health Council, Inc. (d/b/a Family Health Centers at NYU Langone) Schedule of Expenditures of Federal Awards Year Ended August 31, 2019

Federal Program	CFDA	Direct	Pass-Through	Pass-Through Entity	Pass-Through Entity Sponsor Number/ Contract Award Number	Total Expenditures	Passed to Sub-Recipients
U.S. Department of Health and Human Services (continued) Capital Development in Health Centers	93.526	5,000,000	-			5,000,000	-
<b>Child Care and Development Fund Cluster</b> Child Care and Development Block Grant Total Child Care and Development Fund Cluster	93.575	-	220,717	New York City Administration Children Services	CT106820191423776	220,717	-
Child Home Program Trust	93.590	-	47,979	New York State Office of Child Services	Contract No. C02961	47,979	-
Title XX Social Services Block Grant	93.667	-	12,352	New York City Department for the Aging	DFTA ID 27K	12,352	-
National Immunization Partnership with the APA (NIPA)	93.733	-	18,565	Academic Pediatric Association	6NH231P000650-03-01	18,565	-
<b>Medicaid Cluster</b> Comprehensive Adolescent Pregnancy Prevention Total Medicaid Cluster	93.778	-	58,130	New York State Department of Health	DOH01-C32139GG-3450000	58,130	-
MIECHV/DOH Healthy Families	93.870	-	558,347	New York State Office of Child Services	Contract No. C027886	558,347	-
HIV Medical Case Management Care Coordination Connections to Care Program - Social Innovation Fund (Red Hook Initiative) Connections to Care Program - Social Innovation Fund (Arab American Association)	93.914 93.914 93.914 93.914	- - - -	397,701 170,681 11,641 18,585	New York City Department of Health & Mental Hygiene New York City Department of Health & Mental Hygiene Mayor's Fund to Advance New York City Mayor's Fund to Advance New York City	Contract No. 09-MCM-678 Contract No. 19-CCR-678 Agreement No. 15SHNY001 Agreement No. 15SHNY001	397,701 170,681 11,641 18,585	- - - -
Ryan White, Part C, Outpatient Early Intervention Services HIV/AIDS Disease Community Based Dental Partnership Program, Ryan White, Part F (Arizona)	93.918 93.924	711,515 227,673	- -			711,515 227,673	- -
Comprehensive High-Impact HIV Prevention Projects for Community Based Organizations School-Based Dental Sealant Program Project Reach Youth - CAPP Initiative School Health Program, Maternal and Child Health Services, Block Grant to States	93.939 93.994 93.994 93.994	754,749 - - -	- 40,960 6,990 116,595	New York State Department of Health New York State Department of Health New York State Department of Health New York State Department of Health	Contract No. DOH01-C32363GG-345001 Contract No. DOH01-C32139GG-345001 Contract Nos. C-026745 & C-022459	754,749 40,960 6,990 116,595	- - - -
Total U.S. Department of Health and Human Services		24,401,100	4,955,731			29,356,831	1,398,174
<b>U.S. Corporation for National and Community Services</b> Community Health Care Association of New York State (CHCANYS) Health Futures Corps, Americorp Program Opportunity Corps Program Total U.S. Corporation for National and Community Service Total Expenditures of Federal Awards	94.006 94.006	- -	83,400 185,607	Community Health Care Association of New York State New York State Office of National and Community Service	Contract No. C027170 Contract No. C027172	83,400 185,607	- -
		\$24,401,100	\$ 17,705,651			\$ 42,106,751	\$ 1,398,174

The accompanying notes are an integral part of this schedule.

**Sunset Park Health Council, Inc.**  
(d/b/a Family Health Centers at NYU Langone)  
**Notes to Schedule of Expenditures of Federal Awards**  
**August 31, 2019**

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**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (“the Schedule”) presents the federal grant activity of Sunset Park Health Council, Inc., (d/b/a Family Health Centers at NYU Langone) and its subsidiary (“Sunset Park”), and is presented on the accrual basis of accounting.

The information in this Schedule is presented in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and therefore, some amounts may differ from amounts presented in, or used in the preparation of Sunset Park’s consolidated financial statements. CFDA numbers and pass-through entity identification numbers are provided when available.

The expenditures for direct costs are recognized using the cost accounting principles contained in the Department of Health and Human Services, U.S. Office of the Assistant Secretary Comptroller (“OASC”), OASC-3, *A Guide for Hospitals*. Under those cost principles, certain types of expenditures are not allowed for reimbursement.

Sunset Park does not use the 10% de-minimis indirect cost rate for sponsored programs. Sunset Park charges indirect costs to federal awards based on award-specific rates as defined in each grant award.

**2. Food and Nutrition Awards**

During the year ended August 31, 2019, Sunset Park participated in the New York State Department of Health, Special Supplemental Food Program for Women, Infants, and Children (“WIC”) through the receipt and distribution of food checks. The United States Department of Agriculture has determined that such WIC food instruments are considered “property in lieu of money” and, accordingly, should be considered part of the subgrant award received by Sunset Park.

WIC program funding is comprised of the value of food checks redeemed as well as reimbursement for administrative costs. The WIC program funding has both a federal and state component (from the New York State Department of Health and Human Services). For the year ended August 31, 2019, Sunset Park’s total value of the food checks redeemed was \$10,366,017, of which 100% was federally funded, and total administrative costs were \$1,991,310, of which 99.2%, \$1,975,380, was federally funded. Only the federally funded component of the WIC program is included on the Schedule.

**Sunset Park Health Council, Inc.**  
(d/b/a Family Health Centers at NYU Langone)  
**Notes to Schedule of Expenditures of Federal Awards**  
**August 31, 2019**

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**3. Immunization Program**

During the year ended August 31, 2019, Sunset Park received vaccines under the Centers for Disease Control and Prevention Immunization Program. The U.S. Department of Health and Human Services has determined that these vaccines are considered “property in lieu of money” and, therefore, should be considered part of the awards as received by Sunset Park. The total value of vaccines administered under the immunization program, as determined by the funding agency, was \$2,955,303 for the year ended August 31, 2019, and is included in CFDA number 93.268 in the Schedule.

**4. Section 330 Grant**

As disclosed in Note 1 of the consolidated financial statements, Sunset Park is a Federally Qualified Health Center and is required to comply with the requirements of the Health Resources and Services Administration (within the United States Department of Health and Human Services) in order to maintain eligibility for the Federal Section 330 grant (“Section 330 grant”). As set forth in the accompanying Schedule, Sunset Park functioned as a pass-through entity and provided awards to the following sub-recipients in relation to the Section 330 grant as follows:

<b>Program</b>	<b>CFDA</b>	<b>Sub-recipient</b>	<b>Amount</b>
Community Health Center Programs	93.527	Callen Lorde Community Health Center	\$652,198
Community Health Center Programs	93.527	The Door A Center of Alternatives, Inc.	267,193
Community Health Center Programs	93.527	Premium Health, Inc.	259,383
Community Health Center Programs	93.527	Metro Health Community Centers, Inc.	183,400
Community Health Center Programs	93.527	Hebrew Academy for Special Children	36,000
			<u>\$1,398,174</u>

**Part III**  
**Reports on Internal Controls and Compliance**



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

To the Board of Trustees of  
Sunset Park Health Council, Inc.  
(d/b/a Family Health Centers at NYU Langone)

We have audited, 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, the consolidated financial statements of Sunset Park Health Council, Inc. (d/b/a Family Health Centers at NYU Langone) and its subsidiary ("Sunset Park"), which comprise the consolidated balance sheet as of August 31, 2019, and the related consolidated statements of operations, changes in net assets and of cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon, which includes emphasis of matter paragraphs regarding matters that raise substantial doubt about Sunset Park's ability to continue as a going concern, Sunset Park's significant related party transactions with NYU Langone Hospitals and Sunset Park's changes in the manner in which it presents net assets and reports certain aspects of its financial statements as a not-for-profit entity and the manner for which it accounts for revenue from contracts with customers in 2019. Our opinion is not modified with respect to these matters.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Sunset Park'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 Sunset Park's internal control. Accordingly, we do not express an opinion on the effectiveness of Sunset Park'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 Sunset Park’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.

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers LLP".

New York, New York

December 20, 2019, except with respect to the matters that raise substantial doubt about Sunset Park’s ability to continue as a going concern discussed in Note 1, as to which the date is April 20, 2020



**Report of Independent Auditors on Compliance With Requirements  
That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over  
Compliance in Accordance With the Uniform Guidance**

To the Board of Trustees of  
Sunset Park Health Council, Inc.  
(d/b/a Family Health Centers at NYU Langone)

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

We have audited Sunset Park Health Council, Inc. (d/b/a Family Health Centers at NYU Langone) and its subsidiary's ("Sunset Park") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Sunset Park's major federal programs for the year ended August 31, 2019. Sunset Park's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Sunset Park'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Sunset Park'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 Sunset Park's compliance.

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

In our opinion, Sunset Park 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 August 31, 2019.



## Report on Internal Control Over Compliance

Management of Sunset Park 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 Sunset Park'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 the Uniform Guidance, 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 Sunset Park'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

New York, New York

April 20, 2020

**Part IV**  
**Findings**

**Sunset Park Health Council, Inc.**  
 (d/b/a Family Health Centers at NYU Langone)  
**Schedule of Findings and Questioned Costs**  
**August 31, 2019**

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**Section 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 deficiencies identified that are not considered to be material weaknesses?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None reported

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

**Unmodified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the OMB Uniform Guidance?

Yes  No

**Identification of major programs:**  
**CFDA Number(s)**

**Name of Federal Program or Cluster**

10.557	Special Supplemental Food Program for Women, Infants and Children
93.526	Capital Development in Health Centers
93.870	Maternal, Infant, and Early Childhood Home Visiting Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$1,263,203

Auditee qualified as low-risk auditee?

Yes  No

**Sunset Park Health Council, Inc.**  
(d/b/a Family Health Centers at NYU Langone)  
**Schedule of Findings and Questioned Costs**  
**August 31, 2019**

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**Section II - Financial Statement Findings**

As a result of our audit, no instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* were identified.

**Section III - Federal Award Findings and Questioned Costs**

No federal award findings and questioned costs were reported as a result of our audit.

**Sunset Park Health Council, Inc.**  
**(d/b/a Family Health Centers at NYU Langone)**  
**Summary Schedule of Status of Prior Audit Findings**  
**August 31, 2019**

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There are no findings from prior years that require an update in this report.