

**A C CENTER, INC.  
D/B/A TRILLIUM HEALTH  
AND PLEASANT STREET APOTHECARY**

**Financial Statements  
as of June 30, 2014  
Together with  
Independent Auditor's Report**

## INDEPENDENT AUDITOR'S REPORT

October 9, 2014

To the Board of Directors of  
A C Center, Inc.  
d/b/a Trillium Health and Pleasant Street Apothecary:

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

We have audited the accompanying financial statements of A C Center, Inc. d/b/a Trillium Health and Pleasant Street Apothecary (ACCI) (a New York not-for-profit corporation), which comprise the balance sheet as of June 30, 2014, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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 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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ACCI as of June 30, 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 States.

## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

### **Report on Summarized Comparative Information**

We have previously audited ACCI's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 3, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2014 on our consideration of ACCI'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 ACCI's internal control over financial reporting and compliance.

**A C CENTER, INC.**  
**D/B/A TRILLIUM HEALTH AND PLEASANT STREET APOTHECARY**

**BALANCE SHEET**

**JUNE 30, 2014**

(With Comparative Totals for 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2014</u>	<u>2013</u>
<b>ASSETS</b>				
CURRENT ASSETS:				
Cash and equivalents	\$ 1,792,759	\$ 158,092	\$ 1,950,851	\$ 3,917,190
Accounts receivable, net of allowance for doubtful accounts of approximately \$36,000 in 2014 and \$81,000 in 2013	1,698,442	-	1,698,442	1,176,314
Grants receivable	1,430,662	-	1,430,662	1,081,111
Inventory	533,238	-	533,238	409,402
Prepaid expenses and other current assets	<u>159,270</u>	<u>-</u>	<u>159,270</u>	<u>118,462</u>
Total current assets	5,614,371	158,092	5,772,463	6,702,479
INVESTMENTS	9,477,842	-	9,477,842	4,638,183
PROPERTY AND EQUIPMENT, net	979,295	-	979,295	910,162
DEPOSITS	<u>59,511</u>	<u>-</u>	<u>59,511</u>	<u>59,511</u>
	<u>\$ 16,131,019</u>	<u>\$ 158,092</u>	<u>\$ 16,289,111</u>	<u>\$ 12,310,335</u>
<b>LIABILITIES AND NET ASSETS</b>				
CURRENT LIABILITIES:				
Current portion of note payable	\$ 99,319	\$ -	\$ 99,319	\$ 95,149
Accounts payable and accrued expenses	<u>2,684,387</u>	<u>-</u>	<u>2,684,387</u>	<u>1,875,094</u>
Total current liabilities	2,783,706	-	2,783,706	1,970,243
DEFERRED COMPENSATION	138,708	-	138,708	115,543
NOTE PAYABLE, net of current portion	221,144	-	221,144	320,457
EMPLOYEE BENEFITS PAYABLE	<u>91,506</u>	<u>-</u>	<u>91,506</u>	<u>110,743</u>
Total liabilities	3,235,064	-	3,235,064	2,516,986
NET ASSETS	<u>12,895,955</u>	<u>158,092</u>	<u>13,054,047</u>	<u>9,793,349</u>
	<u>\$ 16,131,019</u>	<u>\$ 158,092</u>	<u>\$ 16,289,111</u>	<u>\$ 12,310,335</u>

The accompanying notes are an integral part of these statements.

**A C CENTER, INC.**  
**D/B/A TRILLIUM HEALTH AND PLEASANT STREET APOTHECARY**

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
(With Comparative Totals for 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2014</u>	<u>2013</u>
<b>REVENUE AND SUPPORT:</b>				
Pharmacy sales	\$ 20,880,352	\$ -	\$ 20,880,352	\$ 17,787,283
Grants	4,563,400	50,520	4,613,920	4,406,381
Fees for services, net	1,668,074	-	1,668,074	1,860,817
Contributions	233,389	36,995	270,384	371,394
United Way support	124,949	9,642	134,591	141,046
Other	606	-	606	3,411
Net assets released from restriction	<u>47,054</u>	<u>(47,054)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>27,517,824</u>	<u>50,103</u>	<u>27,567,927</u>	<u>24,570,332</u>
<b>EXPENSES:</b>				
Program	21,040,714	-	21,040,714	18,394,321
Management and general	3,671,471	-	3,671,471	3,158,581
Fundraising	<u>416,112</u>	<u>-</u>	<u>416,112</u>	<u>377,248</u>
Total expenses	<u>25,128,297</u>	<u>-</u>	<u>25,128,297</u>	<u>21,930,150</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	2,389,527	50,103	2,439,630	2,640,182
<b>NONOPERATING REVENUE (LOSS):</b>				
Investment income, net	821,068	-	821,068	214,454
Loss on sale of property and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,007)</u>
Total nonoperating revenue (loss)	<u>821,068</u>	<u>-</u>	<u>821,068</u>	<u>182,447</u>
<b>CHANGE IN NET ASSETS</b>	3,210,595	50,103	3,260,698	2,822,629
<b>NET ASSETS - beginning of year</b>	<u>9,685,360</u>	<u>107,989</u>	<u>9,793,349</u>	<u>6,970,720</u>
<b>NET ASSETS - end of year</b>	<u>\$ 12,895,955</u>	<u>\$ 158,092</u>	<u>\$ 13,054,047</u>	<u>\$ 9,793,349</u>

The accompanying notes are an integral part of these statements.

**A C CENTER, INC.**  
**D/B/A TRILLIUM HEALTH AND PLEASANT STREET APOTHECARY**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
(With Comparative Totals for 2013)

	Program			Total			
	Agency	Pharmacy Services	Total	Management and General	Fundraising	2014	2013
Cost of goods sold	\$ -	\$ 12,835,513	\$ 12,835,513	\$ -	\$ -	\$ 12,835,513	\$ 10,601,431
Salaries	3,998,359	846,321	4,844,680	1,226,912	212,148	6,283,740	5,974,495
Employee benefits and payroll taxes	1,039,580	220,043	1,259,623	318,997	55,158	1,633,778	1,553,365
Occupancy costs, net of sublease income	120,352	1,836	122,188	1,011,394	8	1,133,590	1,084,737
Professional services	375,437	57,694	433,131	421,465	26,232	880,828	680,994
Direct client expenses	518,655	-	518,655	-	-	518,655	485,333
Direct program expenses	251,268	26,941	278,209	-	-	278,209	253,541
Equipment expense	47,415	40,199	87,614	189,532	329	277,475	272,011
Depreciation	-	68,236	68,236	192,952	-	261,188	242,228
Provision for doubtful accounts	149,495	83,393	232,888	-	155	233,043	110,743
Office expenses	28,702	12,293	40,995	94,257	12,482	147,734	124,436
Travel and conferences	93,713	9,427	103,140	41,543	2,241	146,924	110,562
Insurance	90,777	6,175	96,952	6,066	-	103,018	93,284
Special events	-	-	-	-	96,494	96,494	56,632
Shipping	-	88,911	88,911	-	-	88,911	82,972
Advertising	4,553	6,175	10,728	72,657	1,289	84,674	108,190
Staff development and recognition	3,880	-	3,880	42,513	53	46,446	18,353
Interest expense	-	-	-	16,239	-	16,239	18,858
Other	6,687	8,684	15,371	36,944	9,523	61,838	57,985
	6,728,873	14,311,841	21,040,714	3,671,471	416,112	25,128,297	21,930,150
General administrative overhead allocation	1,540,042	77,416	1,617,458	(1,669,766)	52,308	-	-
	\$ 8,268,915	\$ 14,389,257	\$ 22,658,172	\$ 2,001,705	\$ 468,420	\$ 25,128,297	\$ 21,930,150

The accompanying notes are an integral part of these statements.

**A C CENTER, INC.**  
**D/B/A TRILLIUM HEALTH AND PLEASANT STREET APOTHECARY**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
(With Comparative Totals for 2013)

	<u>2014</u>	<u>2013</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 3,260,698	\$ 2,822,629
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Provision for doubtful accounts	233,043	110,743
Gain on investments, net	(698,541)	(181,515)
Depreciation	261,188	242,228
Loss on sale of property and equipment	-	32,007
Changes in:		
Accounts receivable	(755,171)	171,745
Grants receivable	(349,551)	875,628
Inventory	(123,836)	77,494
Prepaid expenses and other current assets	(40,808)	(9,369)
Accounts payable and accrued expenses	809,293	325,294
Deferred compensation	23,165	23,981
Employee benefits payable	(19,237)	26,008
Net cash flow from operating activities	<u>2,600,243</u>	<u>4,516,873</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(4,141,118)	(2,052,033)
Purchases of property and equipment	<u>(330,321)</u>	<u>(91,716)</u>
Net cash flow from investing activities	<u>(4,471,439)</u>	<u>(2,143,749)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Repayments on note payable	<u>(95,143)</u>	<u>(84,394)</u>
Net cash flow from financing activities	<u>(95,143)</u>	<u>(84,394)</u>
CHANGE IN CASH AND EQUIVALENTS	(1,966,339)	2,288,730
CASH AND EQUIVALENTS - beginning of year	<u>3,917,190</u>	<u>1,628,460</u>
CASH AND EQUIVALENTS - end of year	<u>\$ 1,950,851</u>	<u>\$ 3,917,190</u>

The accompanying notes are an integral part of these statements.

**A C CENTER, INC.  
D/B/A TRILLIUM HEALTH AND PLEASANT STREET APOTHECARY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**1. THE ORGANIZATION**

A C Center, Inc. (ACCI) is licensed as a diagnostic and treatment center that provides comprehensive, specialized services to HIV-infected individuals residing primarily in Western New York under the d/b/a Trillium Health.

ACCI also offers pharmacy services under the d/b/a Pleasant Street Apothecary. The pharmacy primarily provides prescription drugs and over-the-counter medicines to HIV-infected and at-risk individuals.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States.

**Financial Reporting**

ACCI categorizes net assets and activities as unrestricted and temporarily restricted. ACCI reports contributions as restricted if they are received with donor stipulations that limit their use. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restriction. 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.

Unrestricted net assets include ACCI's operating resources and its net investment in property and equipment that are available to support operating activities.

Temporarily restricted net assets include amounts restricted by donors for specified program services, special events, or by the passage of time.

**Cash and Equivalents**

Cash and equivalents consist of demand deposit accounts and money market funds. The balances in these bank accounts may, at times, exceed federally insured limits. The amounts in the money market accounts are not federally insured. ACCI has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with respect to cash and equivalents.

**Accounts Receivable**

ACCI has uncollateralized accounts receivable from third-party payers, private pay individuals, corporations, and various governmental agencies. ACCI records an allowance for doubtful accounts based on prior collection experience and an analysis of amounts outstanding. When an account is considered to be uncollectible, it is written off.

**Inventory**

Inventory consists of pharmaceuticals and is stated at market value which approximates cost.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Investments**

Investments are recorded at fair value based on quoted market prices. Investments are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments may occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

### **Fair Value Measurement**

Generally accepted accounting principles establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of ACCI. Unobservable inputs are inputs that reflect ACCI's assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations are based on quoted prices in active markets for identical assets or liabilities that ACCI has the ability to access. Valuation adjustments are not applied to level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 - Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

### **Property and Equipment**

Property and equipment are stated at cost, if purchased, or fair value at the date of contribution. ACCI capitalizes additions greater than \$1,000 that have a useful life in excess of one year. Depreciation and amortization is provided using the straight-line method over the estimated useful lives of the assets, which range from three to twenty years. Leasehold improvements are amortized over the shorter of the remaining lease term or the asset's estimated useful life.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Employee Benefits Payable**

ACCI allows its employees to carry over unused paid time off to be used in the event of a long-term disability or to provide supplemental retirement payments. ACCI has recorded an estimate of the liability earned to date by its employees as long-term employee benefits payable.

### **Pharmacy Sales Revenue**

ACCI recognizes revenue from the sale of pharmaceuticals and merchandise at the time these items are sold.

### **Grant Revenue**

ACCI receives support and revenue from federal and New York State government agencies and foundations, which are to be used for specific program services and administrative functions. ACCI classifies grants from government agencies as unrestricted. However, these government grants have restrictions as to time and purpose.

ACCI recognizes revenue from funding sources as support when eligible expenditures are incurred or as funded services are performed. A receivable is recognized to the extent support earned exceeds cash advances. Amounts received in advance of the related costs being incurred are recorded as deferred revenue.

Certain ACCI revenue is subject to audit by the funding sources. Any changes resulting from these audits are recognized as they become known.

### **Fees for Services Revenue**

ACCI renders medical services under agreements with third-party payers whereby ACCI is reimbursed under provisions of the third-party payers' respective rate formulas. Amounts received from third-party payers may be less than ACCI's established billing rates, any difference is accounted for as a contractual adjustment, or a deduction from revenue.

ACCI operates a Medicaid funded adult day health program that provides a variety of health, social, and related support services and is reimbursed at a fixed rate based on cost for these services. The reimbursement rate for this program is established and is subject to revisions under the provisions of New York State regulations.

ACCI also provides intensive case management services through a Medicaid funded program known as "Health Homes." ACCI is reimbursed at a fixed rate for these services based on cost or acuity level. The reimbursement rate for this program is established and is subject to revisions under the provisions of New York State regulations.

ACCI also performs clinical research and enters into other contractual arrangements that generate fees for services as specified under each contract.

Final determination of a majority of the fees for services revenue earned by ACCI is subject to audit by third-party payers. Provisions are made in the financial statements for anticipated adjustments that may result from such audits. Differences between amounts provided and final settlements are included in the statement of activities in the year of settlement.

ACCI has a policy of providing charity care to patients who are unable to pay for services received. Such patients are identified based on financial information obtained from the patient. Charity care is provided to those patients who have demonstrated and documented an inability to pay full charges for required services and are not covered by any third-party insurer. Since no payment is expected for charity care, the estimated charges are excluded from revenue.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Change in Net Assets from Operations**

ACCI's statements of activities and change in net assets include ACCI's change in net assets from operations before net investment income and other nonoperating gains or losses. Investment income and gains and losses from sales of property are excluded from this performance indicator, which is consistent with industry practice.

### **Donated Services**

Volunteers have donated significant amounts of time in support of ACCI's activities. However, the value of these services is not reflected in the accompanying financial statements as they do not meet the criteria for recognition under generally accepted accounting principles.

### **Advertising**

ACCI expenses advertising costs as incurred.

### **Income Taxes**

ACCI is exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. ACCI has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

For tax-exempt entities, their tax-exempt status itself is deemed to be an uncertainty, since events could potentially occur to jeopardize their tax-exempt status. At June 30, 2014, ACCI does not have a liability for unrecognized tax benefits. ACCI files informational returns in the U.S. federal jurisdiction and New York State. ACCI is generally no longer subject to U.S. federal and state tax examinations by tax authorities for years before 2011.

### **Sales Tax**

ACCI reports its sales tax on a net basis (excluded from revenues).

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### **Comparative Information**

The financial statements include certain prior year summarized comparative information in total, but not by net asset or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with ACCI's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

### 3. NET ASSETS

ACCI's net assets were restricted for the following purposes at June 30:

	<u>2014</u>	<u>2013</u>
Primary care services	\$ 118,366	\$ 58,956
Special events	38,726	35,883
Supportive services	<u>1,000</u>	<u>13,150</u>
	<u>\$ 158,092</u>	<u>\$ 107,989</u>

Net assets were released from restriction by satisfying the restricted purposes or by occurrence of other events specified by donors during the year ended June 30 as follows:

	<u>2014</u>	<u>2013</u>
Purpose restriction	<u>\$ 47,054</u>	<u>\$ 3,322</u>

### 4. FEES FOR SERVICES REVENUE

#### Composition

Fees for services revenue consisted of the following for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Medicaid	\$ 1,118,423	\$ 1,356,576
Medicare	13,633	91,209
AIDS Drug Assistance Program Plus (ADAP+)	202,638	165,158
Managed care	196,196	147,199
Other	<u>137,184</u>	<u>100,675</u>
	<u>\$ 1,668,074</u>	<u>\$ 1,860,817</u>

#### Contractual Adjustments

Contractual adjustments included in fees for services revenue were approximately \$118,000 and \$141,000 during the years ended June 30, 2014 and 2013, respectively.

### 5. CONCENTRATIONS

#### Accounts Receivable

At June 30, 2014 and 2013, approximately 58% and 22%, respectively, of ACCI's accounts receivable were related to services provided under the Medicaid, Medicare, and ADAP+ programs.

#### Accounts Payable

During the years ended June 30, 2014 and 2013, ACCI purchased nearly 100% of its pharmacy inventory from one vendor. At June 30, 2014 and 2013 amounts payable to this vendor were approximately \$1,500,000 and \$841,000, respectively.

## 6. INVESTMENTS

### Composition

Investments consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Cash and equivalents	\$ 1,285,501	\$ 80,903
Corporate bonds	30,785	31,842
Equity mutual funds	3,476,134	2,041,846
Bond mutual funds	1,190,451	1,046,783
Fixed income mutual funds	915,456	570,646
International bond funds	1,564,218	866,163
Funds held by RACF	<u>1,015,297</u>	<u>-</u>
	<u>\$ 9,477,842</u>	<u>\$ 4,638,183</u>

### Net Investment Income

Net investment income, including interest earned on cash and equivalents, consisted of the following for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Interest	\$ 122,527	\$ 32,939
Realized gain on investments, net	42,866	9,937
Unrealized gain on investments, net	<u>655,675</u>	<u>171,578</u>
	<u>\$ 821,068</u>	<u>\$ 214,454</u>

During the years ended June 30, 2014 and 2013, ACCI incurred investment management fees of approximately \$38,000 and \$16,000, respectively, which are included in net investment income.

### Fair Value

ACCI's investments are measured at fair value on a recurring basis at June 30, 2014 utilizing the following input levels:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and equivalents	\$ 1,285,501	\$ -	\$ -	\$ 1,285,501
Corporate bonds	-	30,785	-	30,785
Equity mutual funds	3,476,134	-	-	3,476,134
Bond mutual funds	1,190,451	-	-	1,190,451
Fixed income mutual funds	915,456	-	-	915,456
International bond funds	-	1,564,218	-	1,564,218
Funds held by RACF	<u>-</u>	<u>1,015,297</u>	<u>-</u>	<u>1,015,297</u>
	<u>\$ 6,867,542</u>	<u>\$ 2,610,300</u>	<u>\$ -</u>	<u>\$ 9,477,842</u>

## 6. INVESTMENTS (Continued)

### Fair Value (Continued)

ACCI's investments are measured at fair value on a recurring basis at June 30, 2013 utilizing the following input levels:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and equivalents	\$ 80,903	\$ -	\$ -	\$ 80,903
Corporate bonds	-	31,842	-	31,842
Equity mutual funds	2,041,846	-	-	2,041,846
Bond mutual funds	1,046,783	-	-	1,046,783
Fixed income mutual funds	570,646	-	-	570,646
International bond funds	-	866,163	-	866,163
	<u>\$ 3,740,178</u>	<u>\$ 898,005</u>	<u>\$ -</u>	<u>\$ 4,638,183</u>

Fair values of ACCI's corporate and international bonds are determined by entering standard inputs into a pricing model. These inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, and industry and economic events.

ACCI utilizes information received from RACF regarding the composition of the investment funds and the value of securities held in the funds. RACF values the securities in the funds based on quoted market prices, when available. RACF also holds partnership interests which are valued based on the securities held by each partnership. RACF estimates fair value of these investments based on information received from the investment custodian, including inputs used by the custodian's pricing service (benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, and reference data including market research publications). The appraisals that result from these inputs do not necessarily reflect net results obtainable in the event of actual liquidation.

## 7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 913,234	\$ 907,081
Furniture and office equipment	358,328	358,328
Computer hardware and software	844,598	551,549
Medical equipment	41,767	10,648
	<u>2,157,927</u>	<u>1,827,606</u>
Less: Accumulated depreciation and amortization	<u>(1,178,632)</u>	<u>(917,444)</u>
	<u>\$ 979,295</u>	<u>\$ 910,162</u>

## 7. PROPERTY AND EQUIPMENT (Continued)

During the year ended June 30, 2013, ACCI sold two vehicles to an unrelated tax-exempt organization in exchange for a \$27,200 note receivable. Payment of the note receivable will be through transportation services provided by this organization to ACCI.

The outstanding balance on the note receivable was \$18,128 and \$27,200 at June 30, 2014 and 2013, respectively, and is included in accounts receivable on the accompanying balance sheet.

## 8. FINANCING ARRANGEMENTS

### Line of Credit

ACCI has a bank line of credit intended for agency and pharmacy cash flow purposes with maximum borrowings of \$600,000. Amounts borrowed on the line of credit bear interest at the Wall Street Journal prime rate plus 1% (4.25% at June 30, 2014) and are collateralized by ACCI's investment account maintained by that bank. There were no borrowings on the line of credit at June 30, 2014 and 2013.

### Note Payable

ACCI has a note payable to a bank which bears interest at the Wall Street Journal prime rate plus 1% (4.25% at June 30, 2014) and is collateralized by ACCI's business assets.

Principal repayments under the terms of this agreement are as follows for the years ending June 30:

2015	\$	99,319
2016		103,665
2017		108,240
2018		<u>9,239</u>
	\$	<u>320,463</u>

Interest expense and total interest paid was \$16,239 and \$18,858 during the years ended June 30, 2014 and 2013, respectively.

## 9. COMMITMENTS AND CONTINGENCIES

### Leases

ACCI has an operating lease agreement for its primary office space at 259 Monroe Avenue in Rochester, New York through October 2023. This agreement requires ACCI to make monthly base rental payments of \$60,441 with an annual rental increase of 2% each November.

ACCI also has three additional operating lease agreements for its satellite operations in Rochester, Bath, and Geneva, New York with expiration dates through April 2018. These agreements each require monthly payments ranging from \$1,156 to \$1,730 through April 2018.

Rent expense recognized by ACCI under the terms of these lease agreements was approximately \$805,000 and \$770,000 during the years ended June 30, 2014 and 2013, respectively.

## 9. COMMITMENTS AND CONTINGENCIES (Continued)

### Leases (Continued)

Future minimum payments due under the terms of these lease agreements are as follows for the years ending June 30:

2015	\$	752,313
2016		766,343
2017		781,836
2018		794,622
2019		795,545
Thereafter		<u>3,633,433</u>
	\$	<u>7,524,092</u>

### Third-Party Payers

Third-party payers, especially governmental funders, have substantially increased their scrutiny of payments made to their designated service providers. Specific areas for review by the governmental payers and their investigative personnel include appropriate billing practices, reimbursement maximization strategies, technical regulation, compliance, etc. The stated purpose for these reviews is to recover reimbursements that the payers believe may be inappropriate.

ACCI has reviewed its internal records and policies with respect to such matters and believes that it has no liability. However, due to the nature of these matters, it is difficult to estimate the ultimate liability, if any, which it may incur for such matters.

Laws and regulations governing the Medicaid program are complex and subject to interpretation. ACCI believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicaid program.

## 10. BENEFIT PLANS

ACCI has a profit-sharing plan qualified under section 401(k) (the Plan) in which employees are eligible to participate upon employment, as defined in the Plan. Contributions to the Plan are discretionary on the part of ACCI. ACCI contributed approximately \$171,000 and \$101,000 to the Plan during the years ended June 30, 2014 and 2013, respectively.

ACCI also has a 457(b) deferred compensation plan into which eligible employees can make elective deferrals. These deferrals are invested in marketable securities and are included in investments on the accompanying balance sheets. These investments totaled \$138,708 and \$115,543 at June 30, 2014 and 2013, respectively. There were no contributions made by ACCI to the plan during 2014 and 2013.

## **11. SUBSEQUENT EVENTS**

Subsequent to year-end, ACCI completed a name change and will now be known as Trillium Health, Inc. In conjunction with the name change, ACCI amended its corporate purpose to reflect its mission of providing integrated health care, support programs, pharmacy services, health education, and prevention to underserved and diverse individuals with unmet medical and social needs.

Subsequent events have been evaluated through October 9, 2014, which is the date the financial statements were available to be issued.

**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**

October 9, 2014

To the Board of Directors of  
A C Center, Inc.  
d/b/a Trillium Health and Pleasant Street Apothecary:

We have audited, in accordance with the auditing standards generally accepted in the United States 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 A C Center, Inc. d/b/a Trillium Health and Pleasant Street Apothecary (ACCI), which comprise the balance sheet as of June 30, 2014, and the related statements of activities and change in net assets, 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 October 9, 2014.

**Internal Control Over Financial Reporting**

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

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(Continued)

**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***

(Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether ACCI'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 C CENTER, INC.  
D/B/A TRILLIUM HEALTH  
AND PLEASANT STREET APOTHECARY**

**Single Audit Reports  
for the Year Ended  
June 30, 2014**

**A C CENTER, INC.  
D/B/A TRILLIUM HEALTH AND PLEASANT STREET APOTHECARY**

**SINGLE AUDIT REPORTS  
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FOR THE YEAR ENDED JUNE 30, 2014**

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**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**

October 9, 2014

To the Board of Directors of  
A C Center, Inc.  
d/b/a Trillium Health and Pleasant Street Apothecary:

We have audited, in accordance with the auditing standards generally accepted in the United States 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 A C Center, Inc. d/b/a Trillium Health and Pleasant Street Apothecary (ACCI), which comprise the balance sheet as of June 30, 2014, and the related statements of activities and change in net assets, 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 October 9, 2014.

**Internal Control Over Financial Reporting**

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

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**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***

(Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether ACCI'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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

October 9, 2014

To the Board of Directors of  
A C Center, Inc.  
d/b/a Trillium Health and Pleasant Street Apothecary:

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

We have audited A C Center, Inc. d/b/a Trillium Health and Pleasant Street Apothecary's (ACCI'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 ACCI's major federal program for the year ended June 30, 2014. ACCI's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for ACCI's major federal program 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; 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 ACCI'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 ACCI's compliance.

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

In our opinion, ACCI complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

(Continued)

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal program is not modified with respect to these matters.

ACCI's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. ACCI's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of ACCI 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 ACCI's internal control over compliance with the types of requirements that could have a direct and material effect on the 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 ACCI's internal control over compliance.

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

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

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

(Continued)

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

(Continued)

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

We have audited the financial statements of ACCI as of and for the year ended June 30, 2014, and have issued our report thereon dated October 9, 2014, 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 federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

**A C CENTER, INC.  
D/B/A TRILLIUM HEALTH AND PLEASANT STREET APOTHECARY**

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

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<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract/ Grantor Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:			
Passed through City of Rochester - Housing Opportunities for Persons with AIDS	14.241	126038	\$ 391,774
Passed through New York State Office of Temporary and Disability Assistance - Housing Opportunities for Persons with AIDS	14.241	C-021672	<u>79,416</u>
			471,190
U.S. Department of Health and Human Services:			
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA02462	590,180
Passed through Health Research, Inc. - HIV Care Formula Grants	93.917	Various	859,531
Passed through Health Research, Inc. - HIV Prevention Activities - Health Department Based	93.940	Various	<u>109,585</u>
			<u>\$ 2,030,486</u>

The accompanying notes are an integral part of this schedule.

**A C CENTER, INC.  
D/B/A TRILLIUM HEALTH AND PLEASANT STREET APOTHECARY**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**1. GENERAL**

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of A C Center, Inc. d/b/a Trillium Health and Pleasant Street Apothecary (ACCI). The schedule includes expenditures of federal programs received directly from federal agencies, as well as federal assistance passed through other organizations.

**2. BASIS OF ACCOUNTING**

ACCI's schedule of expenditures of federal awards has been prepared in conformity with accounting principles generally accepted in the United States.

Amounts included in the accompanying schedule of expenditures of federal awards are actual expenditures for the year ended June 30, 2014. Differences between amounts included in the accompanying schedule of expenditures of federal awards and amounts reported to funding agencies for these programs result from report timing.

**A C CENTER, INC.  
D/B/A TRILLIUM HEALTH AND PLEASANT STREET APOTHECARY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

---

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

1. The Independent Auditor's Report expresses an unmodified opinion on the financial statements of A C Center, Inc. d/b/a Trillium Health and Pleasant Street Apothecary (ACCI).
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of ACCI were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award program are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.
5. The auditor's report on compliance for ACCI's major federal award program expresses an unmodified opinion.
6. The audit finding that is required to be reported in accordance with Section 510(a) of OMB Circular A-133 is reported in this Schedule of Findings and Questioned Costs.
7. The program tested as a major program was HIV Care Formula Grants, CFDA No. 93.917.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. ACCI was determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM**

**Finding 2014-001- Program Income**

**U.S. Department of Health and Human Services - HIV Care Formula Grants,  
CFDA No. 93.917**

**Criteria**

Recipients of funding under the HIV Care Formula Grants (federal CFDA Number 93.917) are required to maintain contemporaneous copies of documentation confirming patient income in order to effectively administer the organization's charity care program.

**Statement of Condition**

ACCI did not maintain sufficient documentation for 2 of the 14 patients selected for testing and had not verified patient income in the six months prior to the last interpretation of the sliding fee scale. The compliance standards require accurate interpretation of the sliding fee scale when services are rendered and do not allow for subsequent reconciliation.

**Perspective Information**

ACCI was the subject of a primary care program audit by the Health Resources and Services Administration (HRSA) approximately six months prior to our fieldwork. HRSA's audit identified similar findings and ACCI has begun the process of implementing a remediation plan that included the creation of specific preventative compliance controls so that ACCI would not have to rely on alternative detective controls.

**Cause**

ACCI did not have control practices to ensure 100% accuracy of interpretation of the sliding fee scale when services were rendered.

**Effect**

The reliance on alternative detective controls to effectively administer the charity care program is not in compliance with the grant requirements.

**Recommendation**

The design and implementation of ACCI's remediation plan has been shared with us, has received the appropriate level of oversight by ACCI's Board of Directors, and is the subject of ongoing discussion and review by ACCI's HRSA Program Officer. We recommend ACCI continue to execute the details of its remediation plan, as submitted to HRSA, to help ensure compliance with this program. At the same time, ACCI's Compliance Committee should be updated on a regular basis as this process evolves.

**View of Responsible Officials**

We agree with the recommendation.

**D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

None.