

**BOND COMMUNITY HEALTH CENTER, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**BOND COMMUNITY HEALTH CENTER, INC.**  
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**JUNE 30, 2019**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors,  
Bond Community Health Center, Inc.

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

We have audited the accompanying financial statements of Bond Community Health Center, Inc. which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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

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

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

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## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bond Community Health Center, Inc. as of June 30, 2019, 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 of America.

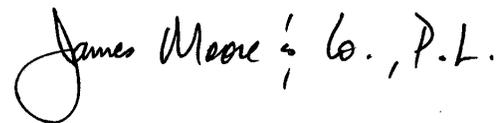
## ***Other Matters***

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2019 on our consideration of Bond Community Health Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bond Community Health Center, Inc.'s internal control over financial reporting and compliance.

James Moore & Co., P.L.

Tallahassee, Florida  
January 3, 2019

**BOND COMMUNITY HEALTH CENTER, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2019**

**ASSETS**

**Current assets**

Cash and cash equivalents	\$ 292,779
Grant and contract receivables	111,962
Patient accounts receivable, net of allowances \$173,763	152,066
Pharmacy inventory	159,778
Other assets	4,691
Total current assets	721,276

**Property and equipment, net** 3,443,530

**Total Assets** \$ 4,164,806

**LIABILITIES AND NET ASSETS**

**Current liabilities**

Accounts payable and accrued expenses	\$ 721,487
Current portion of notes payable	116,924
Total current liabilities	838,411

**Long-term liabilities**

Notes payable, less current portion 1,818,522

**Total Liabilities** 2,656,933

**Net assets**

Without donor restrictions	1,507,873
Total net assets	1,507,873

**Total Liabilities and Net Assets** \$ 4,164,806

The accompanying notes to financial statements  
are an integral part of this statement.

**BOND COMMUNITY HEALTH CENTER, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Without Donor Restrictions</b>
<b>Support and revenues</b>	
Charges for services, net of contractual allowances and discounts	\$ 2,020,698
Provision for bad debts	(54,708)
Net patient service revenue less provision for bad debts	1,965,990
Pharmacy sales	4,123,271
Grants and contracts	2,428,032
Contributions and other	211,789
Total support and revenues	8,729,082
<b>Expenses</b>	
Program services	7,437,708
Administrative services	1,399,240
Total expenses	8,836,948
<b>Decrease in net assets</b>	(107,866)
<b>Net assets, beginning of year</b>	1,615,739
<b>Net assets, end of year</b>	\$ 1,507,873

The accompanying notes to financial statements  
are an integral part of this statement.

**BOND COMMUNITY HEALTH CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Program Services</u>	<u>Administrative Services</u>	<u>Total</u>
Data processing	\$ 168,975	\$ 14,025	\$ 183,000
Depreciation	193,334	37,954	231,288
Dues and subscriptions	43,866	4,859	48,725
Fringe benefits	342,782	97,585	440,367
Insurance	132,837	24,357	157,194
Interest	91,077	17,880	108,957
Lab fees	115,317	-	115,317
Medical supplies	75,667	-	75,667
Occupancy	203,299	29,899	233,198
Office supplies	61,632	12,099	73,731
Other	39,729	19,342	59,071
Personnel	3,618,924	1,030,259	4,649,183
Postage	4,624	908	5,532
Professional fees	437,854	94,516	532,370
Repairs and maintenance	79,245	15,557	94,802
Travel	87,307	-	87,307
Cost of sales	1,741,239	-	1,741,239
Total expenses	<u>\$ 7,437,708</u>	<u>\$ 1,399,240</u>	<u>\$ 8,836,948</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**BOND COMMUNITY HEALTH CENTER, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>Cash flows from operating activities</b>	
Cash received from patients, grantors, and others	\$ 9,017,333
Cash paid to employees and vendors	(8,498,206)
Interest paid	(108,957)
Net cash provided by operating activities	410,170
<b>Cash flows from investing activities</b>	
Purchases of equipment	(240,310)
Net cash used in investing activities	(240,310)
<b>Cash flows from financing activities</b>	
Payments on notes payable	(86,405)
Payments on line of credit	(147,766)
Net cash used in financing activities	(234,171)
<b>Net decrease in cash and cash equivalents</b>	(64,311)
<b>Cash and cash equivalents, beginning of year</b>	357,090
<b>Cash and cash equivalents, end of year</b>	\$ 292,779
<b>Reconciliation of decrease in net assets to net cash provided by operating activities</b>	
Decrease in net assets	\$ (107,866)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Forgiveness of line of credit	(116,798)
Depreciation	231,288
Loss on disposal of property and equipment	39,470
Decrease in grants and contracts receivable	186,293
Decrease in patient accounts receivable	218,756
Increase in other assets	(4,691)
Increase in pharmacy inventory	(54,839)
Increase in accounts payable and accrued expenses	18,557
Total adjustments	518,036
<b>Net cash provided by operating activities</b>	\$ 410,170
<b>Supplemental schedule of non-cash financing activities</b>	
Forgiveness of line of credit from bank	\$ 116,798

The accompanying notes to financial statements  
are an integral part of this statement.

**BOND COMMUNITY HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies and practices of Bond Community Health Center, Inc. which affect significant elements of the accompanying financial statements:

(a) **General**—Bond Community Health Center, Inc. (the “Organization”), was incorporated in 1984 as a 501(c)(3) nonprofit organization. The Organization provides health care services to low-income and no-income individuals through a reduced fee medical center in North Florida. The Organization also offers health education, and medical social services.

The Organization’s mission is to provide access to quality healthcare for all people in the community.

(b) **Basis of financial reporting**—The Organization’s financial statements have been prepared in accordance with generally accepted accounting principles as established by the Financial Accounting Standards Board.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The Organization records all revenues and gains that are spent in the same fiscal year as unrestricted revenue. Any amounts not spent are recorded as restricted revenue if donor restrictions exist. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), the corresponding restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Net assets without donor restrictions*— Net assets that are not subject to donor-imposed restrictions.

*Net assets with donor restrictions*—Net assets subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met either by actions of the Organization and/or passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

There were no net assets with donor restrictions held at June 30, 2019.

(c) **Property and Equipment**—Property and equipment with a value greater than \$1,500 and an estimated useful life of at least one year are recorded at cost when purchased or at fair value when contributed. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from five to forty years. The Federal Government has a reversionary interest in those assets purchased with its funds which have a cost of \$5,000 or more and an estimated useful life of at least one year. The State of Florida has a reversionary interest in those assets purchased with its funds which have a cost of \$1,000 or more and an estimated useful life of at least one year.

**BOND COMMUNITY HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

(1) **Summary of Significant Accounting Policies:** (Continued)

(d) **Income Taxes**—The Organization is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and therefore, no provision for income taxes has been made in the accompanying financial statements. The Organization files income tax returns in the U.S. Federal jurisdiction. The Organization's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination. The Organization has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Organization.

(e) **Cash and Cash Equivalents**—For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, amounts in demand deposits held with banks, and short-term investments with an original maturity of ninety days or less.

(f) **Patient Accounts Receivable**—Patient accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient accounts receivable.

(g) **Use of Estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(h) **Basis of Accounting**—The financial statements of the Organization have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

(i) **Functional Allocation of Expenses**—The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(j) **Grant and Contract Receivables**—Grant and contract receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

(k) **Accrued Leave**—The Organization compensates its employees for unused vacation leave upon termination of employment up to a specified maximum number of hours based upon the employee's length of employment. The amount of the change in accrued leave for all employees from one year to the next is reported as an expense during the current year. Amounts reported for accrued leave are included with accounts payable and accrued expenses on the Statement of Financial Position.

**BOND COMMUNITY HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

(1) **Summary of Significant Accounting Policies:** (Continued)

(l) **Advertising Costs**—Advertising costs are charged to operations in the period incurred. Advertising costs for the fiscal year ended June 30, 2019 were \$53,992.

(m) **Revenue Recognition**—The Organization receives all of its grant and contract revenue from federal, state and local agencies. The Organization recognizes contract revenue (up to the contract ceiling) from its contracts over a period which represents the service period for certain contracts, or to the extent of expenses. Revenue recognition depends on the contract. Amounts earned but not received are reported as grants, contracts, and accounts receivable. Amounts received but not earned are reported as deferred revenue.

(n) **Third-party Contractual Adjustments**—Retroactively calculated third-party contractual adjustments are accrued on an estimated basis in the period the related services are rendered. Net patient service revenue is adjusted as required in subsequent periods based on final settlements.

(o) **Net Patient Service Revenue**—Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Organization considers accounts past due when they are outstanding beyond 60 days with no payment. The Organization generally does not charge interest on past due accounts. Patient receivables are written off against the allowance for doubtful accounts when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received.

(p) **Charity Care**—The Organization has a policy of providing charity care to patients who are unable to pay. Such patients are charged fees based upon a sliding fee schedule based upon poverty guidelines. Since management does not expect payment for charity care, the estimated charges are excluded from patient service revenues.

(q) **Electronic Health Records Incentive Reimbursement**—The *American Recovery and Reinvestment Act of 2009* included provisions for implementing health information technology under the *Health Information Technology for Economic and Clinical Health Act (“HITECH”)*. These provisions were designed to increase the use of electronic health records (“EHR”) technology and establish the requirements for a Medicare and Medicaid incentive payments program beginning in 2011 for eligible Organizations and providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement or upgrade certified EHR technology; but providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional incentive payments. Medicaid EHR incentive payments are fully funded by the federal government and administered by the states; however, the states are not required to offer EHR incentive payments to providers.

The Organization reported \$59,500 in revenues during the year ended June 30, 2019 for the reimbursement of *HITECH* incentives from Medicare and Medicaid related the demonstration of meaningful use of certified EHR technology or having completed attestations to their adoption or implementation of certified EHR technology. These incentive reimbursements are reported under the grant accounting model as there is reasonable assurance that the Organization complied with applicable requirements in the current period. Additionally, the amounts are subject to audit by the federal government or its designee.

**BOND COMMUNITY HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

(1) **Summary of Significant Accounting Policies:** (Continued)

(r) **Pharmacy Sales and Inventory**— The Organization participates in the 340B “Drug Discount Program” which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Discount Program is managed by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs. The Organization earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Organization operates an internal pharmacy to dispense the pharmaceuticals to its patients but holds a limited supply on hand. Pharmacy Inventory consists of drugs and other pharmaceutical supplies and is stated at the lower of cost or fair market value using the first-in, first-out (FIFO) method.

(2) **Concentrations of Credit Risk:**

The more significant concentrations of credit risk are as follows:

(a) **Demand Deposits**—The Organization maintains cash deposits with multiple financial institutions. The Organization has no policy requiring collateral to support its cash deposits, although accounts at the bank are insured up to Federal Deposit Insurance Corporation limits.

(b) **Grant and Contract Receivables**—The Organization’s receivables are for amounts due under grants and contracts with the Federal Government and local government agencies. The Organization has no policy requiring collateral or other security to support its receivables.

(c) **Patient Receivables**—Patients receivables are unsecured obligations of patients, private and commercial insurance companies, Medicare and Medicaid. Management recognizes that receivables from Medicaid and Medicare are significant, but does not believe that there are significant credit risks associated with government agencies.

(3) **Retirement Plan:**

The Organization sponsors a defined contribution and profit sharing plan pursuant to Section 401(k) of the Internal Revenue Code, covering substantially all employees. Under the plan, employees contribute a specified percentage of their salary to the plan. The Organization may agree to make profit sharing contributions to their employee’s 401(k) plan. Contributions to the plan for the year ending June 30, 2019 totaled \$70,032.

(4) **Contingent Liabilities:**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Organization expects amounts, if any, to be immaterial.

**BOND COMMUNITY HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

(5) **Significant Funding Sources:**

The Organization receives a substantial amount of its funding from the U.S. Department of Health and Human Services and the Agency for Health Care Administration. A significant reduction in the level of this funding could have an adverse effect on the Organization's programs and activities.

In addition, the Organization participates in the 340B Drug Discount Pricing Program (340B Program) enabling the Organization to receive discounted prices from the drug manufacturers on outpatient pharmaceutical purchases. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to the financial statement amounts related to the 340B Program could occur.

(6) **Operating leases:**

The Organization leases building space and office equipment under various operating leases expiring in November 2022. Total rental expense for the year ended June 30, 2019 was \$77,186. Minimum future rental payments for the next five years and in the aggregate under these non-cancelable operating leases having a remaining term in excess of one year as of June 30, 2019 are as follows:

Year	Amount
2020	\$ 114,429
2021	113,141
2022	107,466
2023	42,500
2024	-
Total minimum future rental payments	\$ 377,536

(7) **Property and Equipment:**

Major classifications of property and equipment are as follows:

Land	\$ 295,000
Building and Improvements	3,918,171
Furniture and Equipment	1,287,824
Vehicles	399,804
	5,900,799
Less: Accumulated Depreciation	2,457,269
Property and Equipment, net	\$ 3,443,530

**BOND COMMUNITY HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**(8) Notes Payable:**

Notes payable consist of the following at June 30, 2019:

5.35% note payable to bank, \$12,750 principal and interest payable monthly, with a balloon payment of unpaid principal due January 5, 2022, collateralized by building.	\$ 1,857,351
9.5% note payable to corporation, \$5,542 principal and interest payable monthly through September 30, 2020, uncollateralized.	78,095
Total long-term debt	1,935,446
Less: Current portion of long-term debt	116,924
Long-term debt, less current portion	\$ 1,818,522

Maturities of notes payable over the next five years, and in the aggregate, are as follows:

Year	Amount
2020	\$ 116,924
2021	74,588
2022	1,743,934
2023	-
2024	-
Total	\$ 1,935,446

**(9) Liquidity and Availability:**

Financial assets available within one year to meet cash needs for general expenditures through June, 2019 are as follows:

Financial assets available within one year, at year end:	
Cash and cash equivalents	\$ 292,779
Grant and contract receivables	111,962
Patient accounts receivable, net of allowance	152,066
Financial assets available to meet cash needs for general expenditures within one year	\$ 556,807

**(10) Medical Malpractice Claims:**

The Organization obtains professional and general liability insurance to cover medical malpractice claims. To the extent that any claims-made coverage is not renewed or replaced with equivalent insurance, claims based on occurrences during the term of such coverage, but reported subsequently, would be uninsured. Based on the Organization's incident reporting system, management is currently not aware of any instances that will give rise to a claim. Management anticipates that the claims-made coverage currently in place will be renewed or replaced with equivalent insurance as the term of such coverage expires.

**BOND COMMUNITY HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

(11) **Charity Care:**

In the ordinary course of business, the Organization renders services to patients who are financially unable to pay for Organization care. The Organization's policy is to not pursue collections for such amounts, therefore, the related charges for those patients who are financially unable to pay and that otherwise do not qualify for reimbursement from a governmental program are not reported in net operating revenues or in the provision for bad debts, and are thus classified as charity care. The Organization determines amounts that qualify for charity care primarily based on the patient's household income relative to the federal poverty level guidelines, as established by the federal government.

Included in the provision for contractual allowance is approximately \$133,700 for the year ended June 30, 2019, representing the value (at the Organization's standard charges) for charity care services that are excluded from charges for services.

(12) **Patient Receivables:**

Patient receivables are unsecured obligations of patients, private and commercial insurance companies, Medicare and Medicaid. Management recognizes that receivables from Medicaid and Medicare are significant, but does not believe that there are significant credit risks associated with government agencies. The mix of receivables from patients and third-party payors at June 30, 2019 was as follows:

Self pay/Sliding fee	41%
Medicaid	22
Medicare	23
Commercial	14
	<u>100%</u>

(13) **Subsequent Events:**

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through January 3, 2019, the date which the financial statements were available to be issued.

(14) **Recently Issued Accounting Pronouncements:**

The Financial Accounting Standards Board (FASB) has issued new or modifications to, or interpretations of, existing accounting guidance. The Organization has considered the new pronouncements that altered accounting principles generally accepted in the United States of America, and other than as disclosed in the notes to the financial statements below, does not believe that any other new or modified principles will have a material impact on the Organization's reported financial position or operations in the near term.

In May 2014, the FASB issued Accounting Standards Update 2014-09: Revenue from Contracts with Customers, to clarify the principles used to recognize revenue for all entities. The new standard (as amended) is effective for fiscal years beginning after December 15, 2018 and may be adopted early. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

**BOND COMMUNITY HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

(14) **Recently Issued Accounting Pronouncements:** (Continued)

In February 2016, the FASB issued Accounting Standards Update 2016-02: Leases (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The new standard is effective for fiscal years beginning after December 15, 2020 and may be adopted early. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

In June 2018, the FASB issued Accounting Standards Update 2018-08: Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, to clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations. The new standard is effective for fiscal years beginning after December 15, 2019 and may be adopted early. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

**BOND COMMUNITY HEALTH CENTER, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>Federal Grantor/Pass Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Contract Number</b>	<b>Expenditures</b>
<b><u>FEDERAL AWARDS</u></b>			
<b>U.S. Department of Health and Human Services</b>			
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	H12HA24786	<u>\$ 505,033</u>
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	H80CS28957	1,286,972
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	C13CS32035	<u>113,782</u>
	<b>Total Health Center Program Cluster</b>		<u>1,400,754</u>
<b>Total Federal Awards</b>			<u><u>\$ 1,905,787</u></u>

The accompanying notes to Schedule of Expenditures of Federal Awards  
is an integral part of this schedule.

**BOND COMMUNITY HEALTH CENTER, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of Federal awards includes the Federal awards of Bond Community Health Center, Inc. under programs of the federal government for the year ended June 30, 2019 in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Bond Community Health Center, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Bond Community Health Center, Inc.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

**Notes 3. De Minimis Indirect Cost Rate Election**

Bond Community Health Center, Inc. has elected not to use the 10 percent de minimus Indirect Cost Rate Election.

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

To the Board of Directors,  
Bond Community Health Center, Inc.:

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 financial statements of Bond Community Health Center, Inc., which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 3, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Bond Community Health Center, Inc.'s internal control over financial reporting as a basis for designing our 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 Bond Community Health Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Bond Community Health Center, Inc.'s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies listed as 2019-001 and 2019-002 in the accompanying schedule of findings and questioned costs to be material weaknesses.

## **Compliance and Other Matters**

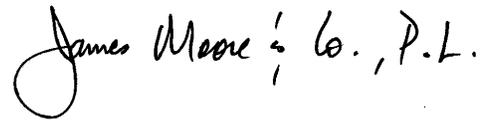
As part of obtaining reasonable assurance about whether Bond Community Health Center, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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*.

## **Bond Community Health Center, Inc.'s Response to Findings**

Bond Community Health Center, Inc.'s response to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit Bond Community Health Center, Inc.'s response and accordingly, we express no opinion on it.

## **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 result 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 that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Tallahassee, Florida  
January 3, 2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Board of Directors,  
Bond Community Health Center, Inc.

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

We have audited Bond Community Health Center, Inc.'s compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Bond Community Health Center, Inc.'s major federal programs for the year ended June 30, 2019. Bond Community Health Center, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Bond Community Health Center, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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 Bond Community Health Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Bond Community Health Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2019.

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

Management of the Organization 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 the Organization'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 the Organization'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.

*James Moore & Co., P.L.*

Tallahassee, Florida  
January 3, 2019

**BOND COMMUNITY HEALTH CENTER, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**I. Summary of Auditors' Results:**

*Financial Statements*

Type of audit report issued on the financial statements: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?   X   yes        no
- Significant deficiencies identified?        yes   X   none reported

Noncompliance material to financial statements noted?        yes   X   no

*Federal Awards*

Internal control over major Federal programs:

- Material weakness (es) identified?        yes   X   no
- Significant deficiencies identified?        yes   X   none reported

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

Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?        yes   X   no

Identification of major programs:

<b>Federal Program</b>	<b>Federal CFDA Number</b>
Health Center Program	93.224
Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>          750,000</u>
Auditee qualified as a low risk auditee?	<u>      </u> yes <u>  X  </u> no

**BOND COMMUNITY HEALTH CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**II. Financial Statement Findings:**

**Finding 2019-001: Segregation of Duties in the Accounting Department**

**Criteria:** Internal controls are designed to safeguard assets and help prevent or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties.

**Condition:** The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

- We noted that the same person who receives checks and cash receipts is also responsible for recording receipts in the general ledger.
- We noted that the authorized signor's name printed on all checks after they are approved for payment, but there is no review of checks after they are printed and before they are mailed to vendors.

**Cause:** Lack of well-defined segregation of duties.

**Effect:** Misstatement or errors or irregularities in the financial statements.

**Recommendation:** We recommend anyone who can post receipts to the accounting system not be allowed physical custody of such items. In addition, we recommend that printed checks along with supporting documentation be reviewed and approved by someone other than the person printing checks before they are mailed.

**Finding 2019-002: Prepare Financial Statements in Accordance with GAAP and Significant Adjustments**

**Criteria:** Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP").

**Condition:** Adjustments were required to be made to the accounting records subsequent to the start of the audit process to be in accordance with GAAP. Since the absence of these adjustments would have resulted in a material misstatement of the financial statements, this deficiency is deemed to be a material weakness.

**Cause:** Management relied on auditors to propose entries that had not been recorded at the time of the audit.

**Effect:** Financial statements would be materially misstated if significant adjustments were not made.

**Recommendation:** We recommend management select and apply the appropriate accounting principles to prepare the financial statements in accordance with generally accepted accounting principles.

**III. Federal Awards and Questioned Costs: None**

**BOND COMMUNITY HEALTH CENTER, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Finding 2018-001: Segregation of Duties**

Status: Unresolved

Bond agrees with the finding and the associated recommendation. To ensure the segregation, Bond has changed its procedures and all check and cash receipts are received by the Executive Assistant to the Executive Director and the recording of receipts in the general ledger is done by the Accountant. Further, on a monthly basis, a complete copy of the operating account bank statement and account reconciliation is provided to the finance committee for their review and signature to ensure all checks were authorized transactions.

**Finding 2018-002: Billing**

Status: Resolved

**Finding 2018-003: Prepare Financial Statements in Accordance with GAAP and Significant Adjustments**

Status: Unresolved

Bond acknowledges that significant adjustments were necessary in order for the financial statements to be in accordance with GAAP and will work toward ensuring that all applicable entries are made in subsequent years.

**Finding 2018-004: Grant reports**

Status: Resolved

**Finding 2018-005: Cost Allocations**

Status: Resolved

**Finding 2018-006: Cash management**

Status: Resolved

## **Corrective Action Plan**

### **Finding 2019-001 – Segregation of Duties in the Accounting Department**

Bond agrees with the finding and the associated recommendation. To ensure the segregation, Bond has changed its procedures and all check and cash receipts are received by the Executive Assistant to the Executive Director and the recording of receipts in the general ledger is done by the Accountant. Further, on a monthly basis, a complete copy of the operating account bank statement and account reconciliation is provided to the finance committee for their review and signature to ensure all checks were authorized transactions.

### **Finding 2019-002 – Prepare Financial Statements in Accordance with GAAP and Significant Adjustments**

Bond acknowledges that significant adjustments were necessary in order for the financial statements to be in accordance with GAAP and will work toward ensuring that all applicable entries are made in subsequent years.