

Bond Community Health Center, Inc.

**Financial Statements,
Schedule of Expenditures of Federal Awards,
Internal Control and Compliance
(With Supplementary Information)
and Independent Auditor's Report**

June 30, 2012

Bond Community Health Center, Inc.

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Independent Auditor's Report

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

We have audited the accompanying statement of financial position of Bond Community Health Center, Inc. (the "Center") as of June 30, 2012, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2012, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2013 on our consideration of the Center'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* and should be considered in assessing the results of our audit.

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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of Federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



New York, New York
March 21, 2013

Bond Community Health Center, Inc.

**Statement of Financial Position
June 30, 2012**

Assets

Current assets:

Cash	\$ 1,461,273
Patient services receivable, net	231,541
Contracts and other grants receivable	134,332
Prepaid expenses and other assets	128,190
Total current assets	<u>1,955,336</u>

Property and equipment, net	<u>4,063,838</u>
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Total	<u>\$ 6,019,174</u>
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Liabilities and Unrestricted Net Assets

Current liabilities:

Accounts payable and accrued expenses	\$ 79,265
Accrued compensation	284,282
Current maturities of long-term debt	60,422
Total current liabilities	<u>423,969</u>

Long-term debt, less current maturities	<u>2,204,117</u>
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Total liabilities	<u>2,628,086</u>
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Commitments and contingencies

Unrestricted net assets	<u>3,391,088</u>
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Total	<u>\$ 6,019,174</u>
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See Notes to Financial Statements.

Bond Community Health Center, Inc.

**Statement of Activities and Changes in Net Assets
Year Ended June 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue:			
DHHS grants	\$ 2,627,288		\$ 2,627,288
Patient services revenue, net	4,585,861		4,585,861
Contract services and other grants	2,652,369		2,652,369
Other	305,309		305,309
Net assets released from restrictions	127,600	(127,600)	-
	<hr/>	<hr/>	<hr/>
Total revenue	10,298,427	(127,600)	10,170,827
	<hr/>	<hr/>	<hr/>
Operating expenses:			
Salaries and benefits	5,611,379		5,611,379
Other than personnel services	2,691,553		2,691,553
Provision for bad debts	956,287		956,287
Interest expense	126,572		126,572
	<hr/>		<hr/>
Total operating expenses	9,385,791		9,385,791
	<hr/>		<hr/>
Operating income (loss) prior to depreciation and amortization and nonoperating revenue	912,636	(127,600)	785,036
	<hr/>		<hr/>
Depreciation and amortization	206,586		206,586
	<hr/>		<hr/>
Operating income (loss) prior to nonoperating revenue	706,050	(127,600)	578,450
	<hr/>	<hr/>	<hr/>
Nonoperating activities:			
Contract services for capital additions	282,533		282,533
Net assets released from restrictions	83,900	(83,900)	-
Total nonoperating activities	366,433	(83,900)	282,533
	<hr/>	<hr/>	<hr/>
Increase (decrease) in net assets	1,072,483	(211,500)	860,983
	<hr/>		<hr/>
Net assets:			
Beginning of year	2,318,605	211,500	2,530,105
	<hr/>	<hr/>	<hr/>
End of year	\$ 3,391,088	\$ -	\$ 3,391,088
	<hr/>	<hr/>	<hr/>

See Notes to Financial Statements.

Bond Community Health Center, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2012**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and wages	\$ 4,175,713	\$ 623,957	\$ 4,799,670
Fringe benefits	706,187	105,522	811,709
Consultants and contractual services	137,664		137,664
Professional fees		91,363	91,363
Consumable supplies	1,049,712	144,195	1,193,907
Space costs	77,855	9,622	87,477
Laboratory	261,082		261,082
Insurance	16,195	2,002	18,197
Repairs and maintenance	227,660	28,138	255,798
Telephone	81,862	12,232	94,094
Travel, conferences and meetings	128,484	19,199	147,683
Dues and subscriptions	23,696	3,541	27,237
Postage	11,222	1,677	12,899
Data processing	172,732	25,810	198,542
Health promotion	52,850		52,850
Interest	112,649	13,923	126,572
Provision for bad debts	956,287		956,287
Other	98,101	14,659	112,760
Totals	<u>8,289,951</u>	<u>1,095,840</u>	<u>9,385,791</u>
Depreciation and amortization	<u>183,862</u>	<u>22,724</u>	<u>206,586</u>
Total functional expenses	<u>\$ 8,473,813</u>	<u>\$ 1,118,564</u>	<u>\$ 9,592,377</u>

See Notes to Financial Statements.

Bond Community Health Center, Inc.

**Statement of Cash Flows
Year Ended June 30, 2012**

Cash flows from operating activities:	
Cash received from DHHS grants	\$ 2,627,288
Cash received from patient services	3,531,894
Cash received from contract services and other grants	2,651,831
Cash received from other	305,309
Cash paid for personnel costs	(5,512,788)
Cash paid for other than personnel costs	(2,773,137)
Interest paid	(126,572)
Net cash provided by operating activities	<u>703,825</u>
Cash flow from investing activity - purchase of property and equipment	<u>(614,123)</u>
Cash flows from financing activities:	
Proceeds from long-term debt	18,894
Repayment of long-term debt	(42,846)
Receipt of nonoperating contract services revenue	282,533
Net cash provided by financing activities	<u>258,581</u>
Net increase in cash	348,283
Cash, beginning of year	<u>1,112,990</u>
Cash, end of year	<u><u>\$ 1,461,273</u></u>
Reconciliation of increase in net assets to net cash provided by operating activities:	
Increase in net assets	\$ 860,983
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Provision for bad debts	956,287
Depreciation and amortization	206,586
Nonoperating contract services for capital additions	(282,533)
Changes in operating assets and liabilities:	
Patient services receivable	(1,053,967)
Contracts and other grants receivable	(538)
Prepaid expenses and other assets	(55,178)
Accounts payable and accrued expenses	(26,406)
Accrued compensation	98,591
Net cash provided by operating activities	<u><u>\$ 703,825</u></u>

See Notes to Financial Statements.

Bond Community Health Center, Inc.

Notes to Financial Statements

Note 1 - Organization:

Bond Community Health Center, Inc. (the "Center") operates a community health center located in Tallahassee, Florida. The Center provides a broad range of health services to a largely medically underserved population.

The U.S. Department of Health and Human Services (the "DHHS") provides substantial support to the Center. The Center is obligated under the terms of the DHHS grants to comply with specified conditions and program requirements set forth by the grantor.

Note 2 - Summary of significant accounting policies:

Basis of presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

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.

Classification of net assets:

The Center reports information regarding its financial position and activities according to the following three categories:

Unrestricted net assets are reflective of revenues and expenses associated with the principal operating activities of the Center and are not subject to donor-imposed stipulations.

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions of the Center and/or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the financial statements. There are no temporarily restricted net assets at June 30, 2012.

Permanently restricted net assets are subject to donor-imposed stipulations that must be maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on related investments for general or specific purposes. There are no permanently restricted net assets at June 30, 2012.

Bond Community Health Center, Inc.

Notes to Financial Statements

Cash:

The Center maintains its cash in bank deposit accounts which, at times, may exceed Federally insured limits. The Center has not experienced any losses in such accounts. At June 30, 2012, the Center's cash balance exceeds Federally-insured limits by approximately \$415,000. All highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents. There are no cash equivalents at June 30, 2012.

Patient services receivable and concentration of credit risk:

The collection of receivables from third-party payors and patients is the Center's significant source of cash for operations and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts (deductibles and copayments) remain outstanding. Patient receivables from third-party payors are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors. Receivables due directly from patients are carried at the original charge for the service provided less discounts provided under the Center's charity care policy, less amounts covered by third-party payors and less an estimated allowance for doubtful receivables. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Center considers accounts past due when they are outstanding beyond 60 days with no payment. The Center generally does not charge interest on past due accounts. Patient receivables are written off against the allowance for doubtful accounts when deemed uncollectable. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received.

Property and equipment:

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 5 to 40 years. Leasehold improvements are amortized over the shorter of the useful life of the asset or the lease term. Expenditures, which substantially increase estimated useful lives, are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are included in change in net assets. The Center capitalizes all purchases of property and equipment in excess of \$1,500.

According to Federal regulations, any property and equipment items obtained through Federal funds are subject to a lien by the Federal government. Provided that the Center maintains its tax-exempt status and the property and equipment are used for their intended purpose, the Center is not required to reimburse the Federal government. If the stated requirements are not met, the Center would be obligated to the Federal government in an amount equal to the fair value of the property and equipment.

Bond Community Health Center, Inc.

Notes to Financial Statements

Impairment of long-lived assets:

The Center reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing a review for impairment, the Center compares the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that impairment has occurred, the loss would be recognized during that period. The impairment loss is calculated as the difference between the assets' carrying values and the present value of estimated net cash flows or comparable market values giving consideration to recent operating performance and pricing trends. The Company does not believe that any material impairment currently exists related to its long-lived assets.

Patient services revenue:

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Payment arrangements include predetermined fee schedules and discounted charges. Service fees are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including retroactive adjustments, if applicable, under reimbursement agreements with third-party payors, which are subject to audit by administering agencies. These adjustments are accrued on an estimated basis and are adjusted in future periods as final settlements are determined. The Center provides care to certain patients under Medicaid and Medicare payment arrangements. Laws and regulations governing the Medicaid and Medicare programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action. Self-pay revenue is recorded at published charges with charitable care deducted to arrive at gross self-pay patient revenue. Contractual allowances are then deducted to arrive at net self-pay patient revenue.

Grants and contracts:

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when the expenditures have been incurred in compliance with the grantor's restrictions. Grants and contracts awarded for the acquisition of long-lived assets are reported as unrestricted nonoperating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as refundable advances. At June 30, 2012, the Center has received conditional grants and contracts from governmental entities in the aggregate amount of \$1,971,197 that have not been recorded in the accompanying financial statements as they have not been earned. These grants and contracts require the Center to provide certain services or pay for specific expenditures during specified periods. If such services are not provided or expenditures incurred, the governmental entities are not obligated to expend the funds allotted under the grants and contracts.

Bond Community Health Center, Inc.

Notes to Financial Statements

Contributions:

Contributions are recorded at fair value when received or pledged. Amounts are recorded as temporarily or permanently restricted revenue if they have donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as unrestricted revenue. Conditional contributions are recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions.

Meaningful use incentives:

The American Recovery and Reinvestment Act of 2009 ("ARRA") amended the Social Security Act to establish one-time incentive payments under the Medicare and Medicaid programs for certain professionals that: (1) meaningfully use certified Electronic Health Record ("EHR") technology, (2) use the certified EHR technology for electronic exchange of health information to improve quality of healthcare, and (3) use the certified EHR technology to submit clinical and quality measures. These provisions of ARRA, together with certain of its other provisions, are referred to as the Health Information Technology for Clinical and Economic Health ("HITECH") Act. The criteria for meaningful use incentives will be staged in three steps over the course of the next four years and be paid out based on a transitional schedule. The Center's providers have met the criteria for Stage 1 and have earned \$233,750 from the Medicaid incentive program as of June 30, 2012. This amount is included in other revenue on the statement of activities and changes in net assets.

Interest earned on Federal funds:

Interest earned on Federal funds is recorded as a payable to the United States Public Health Service ("PHS") in compliance with the regulations of the United States Office of Management and Budget.

Functional expenses:

Expenses are charged to program services or general and administrative based on a combination of specific identification and allocation by management.

Bond Community Health Center, Inc.

Notes to Financial Statements

Tax status:

The Center was incorporated as a not-for-profit corporation under the laws of the State of Florida and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, there is no provision for income taxes.

The Center has no unrecognized tax benefits at June 30, 2012. The Center's Federal and state income tax returns prior to fiscal year 2009 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

Subsequent events:

The Center has evaluated subsequent events through March 21, 2013, which is the date the financial statements were available to be issued.

Note 3 - Patient services receivable, net:

Patient services receivable, net, consists of the following:

Medicaid	\$ 258,282
Medicare	52,463
Other third-party	58,489
Self-pay	<u>1,348,280</u>
Total	1,717,514
Less contractual allowance and allowance for doubtful accounts	<u>1,485,973</u>
Total	<u>\$ 231,541</u>

Note 4 - Contracts and other grants receivable:

Contracts and other grants receivable consists of the following:

State of Florida Department of Health:	
Department of Health Expansion Grant	\$ 10,750
Leon County Primary Care Grant	61,455
Apalachee Grant	<u>62,127</u>
Total	<u>\$134,332</u>

Bond Community Health Center, Inc.

Notes to Financial Statements

Note 5 - Property and equipment, net:

Property and equipment, net, consists of the following:

Land	\$ 295,000
Building and improvements	3,489,170
Furniture and equipment	697,058
Mobile van and other vehicles	<u>342,473</u>
Total	4,823,701
Less accumulated depreciation and amortization	<u>759,863</u>
Total	<u>\$4,063,838</u>

In the event the DHHS grants are terminated, DHHS reserves the right to have the Federal interest in all assets purchased with grant funds transferred to PHS or third parties.

Note 6 - Long-term debt:

Mortgage payable - \$2,341,598 face amount maturing on March 5, 2015. The mortgage is payable in monthly installments of \$14,888, including interest of 5.50%, with balloon payment at maturity date. The note is collateralized by real property located at 1720 South Gadsen Street, Tallahassee, Florida.

\$ 2,237,526

Vehicle financing loan - \$32,390 face amount maturing on September 22, 2015, payable in monthly installments of \$675 without interest. The loan is collateralized by the vehicle.

27,013

Total
Less current portion
Total

2,264,539

60,422

\$ 2,204,117

Principal payment requirements on the above obligations in each of the years subsequent to June 30, 2012 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 60,422
2014	63,373
2015	2,138,025
2016	<u>2,719</u>
Total	<u>\$2,264,539</u>

The Center is required to meet certain covenants.

Bond Community Health Center, Inc.

Notes to Financial Statements

Note 7 - DHHS grants:

For the year ended June 30, 2012, the Center recognized grant revenue from DHHS as follows:

<u>Grant Number</u>	<u>Grant Period</u>	<u>Total Grant</u>	<u>Revenue Recognized</u>
6H80CS00683-10-06	03/01/2011 - 02/29/2012	\$1,875,736	\$1,392,683
6H80CS00683-11-04	03/01/2012 - 02/29/2013	2,044,454	602,797
6H76HA00710-10-02	04/01/2011 - 03/31/2012	590,000	436,487
6H76HA00710-11-00	04/01/2012 - 03/31/2013	590,000	<u>195,321</u>
Total			<u>\$2,627,288</u>

Note 8 - Patient services revenue, net:

For the year ended June 30, 2012, patient services revenue, net, consists of the following:

Medicaid	\$ 1,676,340
Medicare	325,919
Other third-party payors	112,464
Pharmacy 340B	1,356,327
Self-pay	<u>1,114,811</u>
Total	<u>\$ 4,585,861</u>

Based on the cost of patient services, charity care approximated \$1,200,000 and community benefit approximated \$738,000 for the year ended June 30, 2012.

Medicaid and Medicare revenue is reimbursed to the Center at the net reimbursement rates as determined by each program. Reimbursement rates are subject to revisions under the provisions of reimbursement regulations. Adjustments for such revisions are recognized in the fiscal year incurred.

Bond Community Health Center, Inc.

Notes to Financial Statements

Note 9 - Contract services and other grants:

Contract services and other grants consist of the following:

State of Florida Department of Health:	
Agency for Healthcare Administration	\$ 600,000*
Dental Grant	400,000
Leon County Department of Health:	
Department of Health Expansion Grant	169,885
ER Diversion Grant	1,000,000
Apalachee Grant	505,605
Leon County Primary Care Grant	249,746
Other	9,666
	<u>\$ 2,934,902</u>

*Represents a portion of non-operating contract services revenue for capital expenditures in the amount of \$282,533.

Note 10- Pension plan:

The Center maintains a defined contribution pension plan covering substantially all employees who meet certain eligibility requirements. Employees are eligible to participate after one year of employment. Pension expense amounted to \$33,540 for the year ended June 30, 2012.

Note 11- Commitments and contingencies:

The Center has contracted with various funding agencies to perform certain healthcare services, and receives Medicaid and Medicare revenue from Federal and state governments. Reimbursements received under these contracts and payments from Medicaid and Medicare are subject to audit by Federal and state governments and other agencies. Upon audit, if discrepancies are discovered, the Center could be held responsible for refunding the amounts in question.

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

Bond Community Health Center, Inc.

Notes to Financial Statements

The healthcare industry is subject to voluminous and complex laws and regulations of Federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral laws, and false claims prohibitions. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of reimbursement, false claims, anti-kickback and anti-referral statutes and regulation by healthcare providers. The Center believes that it is in material compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Upon audit, if discrepancies are discovered, the Center could be held responsible for refunding the amounts in question.

Bond Community Health Center, Inc.

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012**

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Total Expenditures
U.S. Department of Health and Human Services:			
Direct programs:			
Consolidated Health Centers Cluster:			
Consolidated Health Centers Program	93.224	N/A	\$ 713,975
Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program	93.527	N/A	<u>1,281,505</u>
Total Cluster			<u>1,995,480</u>
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	<u>631,808</u>
Total direct programs			2,627,288
Passed through Florida Department of Health:			
Medical Assistance Program (Medicaid)	93.778	COTDS / COTCZ	<u>581,800</u>
Total U.S. Department of Health and Human Services			<u>3,209,088</u>
Total Federal Awards			<u>\$ 3,209,088</u>

See Notes to Schedule of Expenditures of Federal Awards.

Bond Community Health Center, Inc.

Notes to Schedule of Expenditures of Federal Awards

Note 1 - General Information:

The accompanying schedule of expenditures of Federal awards presents the activities in all Federal awards of Bond Community Health Center, Inc. (the "Center"). All financial assistance received directly from Federal agencies as well as financial assistance passed through other governmental agencies or nonprofit organizations is included in the schedule.

Note 2 - Basis of accounting:

The accompanying schedule of expenditures of Federal awards is presented using the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The amounts reported in the schedule as expenditures may differ from certain financial reports submitted to Federal funding agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

Note 3 - Relationship to the financial statements:

Federal expenditures are reported on the statement of functional expenses as program services. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the schedule of expenditures of Federal awards due to program expenditures exceeding grant or contract budget limitations or agency-matching or in-kind contributions which are not included in the statement of activities and changes in net assets.

Note 4 - Subrecipients:

Of the Federal expenditures presented in this schedule, the Center provided no Federal awards to subrecipients for the year ended June 30, 2012.

Independent Auditor's Report on 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 the financial statements of Bond Community Health Center, Inc. (the "Center") as of and for the year ended June 30, 2012, and have issued our report thereon dated March 21, 2013. 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.

Internal Control over Financial Reporting

Management of the Center is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Item 2012-01 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Item 2012-02 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2012-02 through 2012-04.

We noted certain matters that we reported to management of the Center in a separate letter dated March 21, 2013.

This report is intended solely for the information and use of management, the Board of Directors, and Federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "CohnReznick LLP".

New York, New York
March 21, 2013

Independent Auditor's Report on Compliance with Requirements that
Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of Bond Community Health Center, Inc. (the "Center") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Center's major Federal programs for the year ended June 30, 2012. The Center's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a Federal program occurred. An audit includes examining, on a test basis, evidence about the Center'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. Our audit does not provide a legal determination of the Center's compliance with those requirements.

As described in items 2012-02 through 2012-04 in the accompanying schedule of findings and questioned costs, the Center did not comply with the requirements of patient services receivable and revenue reporting, Board Members' compliance, and sliding fee discounts that are applicable to its major Federal programs noted in the schedule of findings and questioned costs. Compliance with such requirements is necessary, in our opinion, for the Center to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with the requirements that could have a direct and material effect on each of its major Federal programs to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 the Center'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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2012-02 through 2012-04. 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.

The Center's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Center's response and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the Center's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the Center's compliance but not to provide an opinion on the effectiveness of the Center's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.



New York, New York
March 21, 2013

Bond Community Health Center, Inc.

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2012**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

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

Qualified

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

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

93.224
93.527

U.S. Department of Health and Human Services:
Consolidated Health Center Cluster:
Consolidated Health Centers Program
Affordable Care Act (ACA) Grants
for New and Expanded Services
Under the Health Center Program

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

\$300,000

Auditee qualified as low-risk auditee? yes no

Bond Community Health Center, Inc.

Schedule of Findings and Questioned Costs Year Ended June 30, 2012

Section II - Financial Statement Findings

Item 2012-01 – Proper Documentation Relating to Disbursements

Criteria:

Cash disbursement procedures are established to ensure no unauthorized payments are made, that accurate records are maintained for all payments and that unclaimed checks are adequately identified, controlled and ultimately voided.

Statement of Condition:

While performing our test of controls for cash disbursements and testing the company corporate card expenses, it was noted that certain disbursements were made using either the corporate card or checks whereby the supporting documentation supporting those payments could not be located. It was also noted during our test work, there was no policy and procedure in place for the review and approval of the corporate card expenditures and the safeguarding of the supporting documents. The purpose of the corporate card was to allow the Center's personnel access to efficient and alternative means of payment for approved expenses, especially expenses related to business travel and office supplies. It was noted during our test work, that all checks made to the corporate credit card were signed by the Chief Executive Officer.

Effect:

Without proper supporting documentation, there is no evidence that the expenditures are being reviewed properly and are allowable business expenses, and as a result, accurate records are not being maintained properly. It allows the opportunity for unauthorized payments to be made.

Cause:

There was turnover in management during the fiscal year. The vendor file that supported certain corporate card expenditures and other disbursements were not able to be located. In addition, there was a lack of internal controls to ensure that there is a proper approval process and adequate documentation to support the related expenditures.

Recommendation:

We recommend that the following procedures be implemented to strengthen internal control over disbursements.

- 1) All invoices when presented for approval for payment, should contain the proper supporting documentation along with the appropriate signatures indicating they were reviewed
- 2) All invoices, before payment is made, should contain the proper account allocation to be charged and respective subaccounts denoting what department/program the expenditures relate to.
- 3) A copy of the invoice package including the check request form should be retained for every disbursement and filed accordingly.
- 4) Revise the policies and procedures manual for disbursements and develop specific policies and procedures relating to the corporate card which addresses all of the above.

These procedures will ensure that the Center will strengthen internal controls and safeguarding of assets with respect to all disbursements of the Center. It will also allow the Center to maintain accurate books and records relating to all disbursements.

Management's Response:

Management concurs with this finding and has implemented measures to ensure that all disbursements are accompanied by adequate documentation.

Bond Community Health Center, Inc.

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2012**

Section II - Financial Statement Findings and Section III - Federal Award Findings and Questioned Costs - U.S. Department of Health and Human Services, Consolidated Health Centers Program (CFDA 93.224), Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program (CFDA 93.527):

Item 2012-02 – Patient Services Receivable and Revenue

Criteria:

The accounts receivable subsidiary ledger should be reconciled to the general ledger control accounts on a regular basis, and should ensure that cash flow from patient services is maximized.

Statement of Condition:

Currently, the Center utilizes a computerized billing system to process billing and collection for patient services. The accounts receivable subsidiary ledger is not being reconciled to the general ledger control accounts on a regular basis. In addition, the Center has no formalized control procedures for (1) reviewing and evaluating specific past due accounts, (2) billing denied claims in a timely manner and (3) determining bad debts by periodic review of the accounts receivable aging reports per the billing system.

Questioned Costs:

None

Effect:

Patient services receivable may not be reported at its net realizable value.

Cause:

The Center did not have the appropriate resources to apply the procedures necessary to review and follow up on past-due receivables and ensure that patient services revenue was being maximized.

Recommendation:

We recommend that the accounts receivable subsidiary ledger, per the billing and collection system, be reconciled to the general ledger control accounts on a regular basis. All discrepancies should be investigated and resolved on a timely basis. Further, we recommend that the Center review all old outstanding receivables for collectability and, for those no longer collectible, remove from the billing system. The Center should ensure that all receivables recorded in the billing system are valid and that appropriate reserves are made for uncollectible accounts.

Management's Response:

Management concurs with this finding and has implemented measures to review patient service billing past due receivables and follow-up, as well as bad debt identification and write-offs on a regular basis. Management is implementing procedures that will allow the accounts receivable subsidiary ledgers to be reconciled to the general ledger control accounts on a regular basis.

Bond Community Health Center, Inc.

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2012**

Section II - Financial Statement Findings and Section III - Federal Award Findings and Questioned Costs - U.S. Department of Health and Human Services, Consolidated Health Centers Program (CFDA 93.224), Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program (CFDA 93.527):

Item 2012-03 – Board Members Compliance

Criteria:

As per the 330 grant requirements, the governing board must be composed of individuals, a majority (at least 51%) of whom are being served by the Center and who, as a group, represent the individuals being served by the Center.

Statement of Condition:

It was noted that recently less than 51% of the current Board Members are patients of the Center.

Questioned Costs:

None

Effect:

The Center was not in compliance with requirements stipulated under the grant award.

Cause:

The Center did not monitor this compliance requirement regularly.

Recommendation:

The Center should monitor and ensure that the requirement of Board Member composition is being met.

Management's Response:

Management will monitor the compliance of Board Member composition and report the status to the board regularly.

Bond Community Health Center, Inc.

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2012**

Section II - Financial Statement Findings and Section III - Federal Award Findings and Questioned Costs - U.S. Department of Health and Human Services, Consolidated Health Centers Program (CFDA 93.224), Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program (CFDA 93.527):

Item 2012-04 – Sliding Fee Discounts

Criteria:

Health centers are required to have a corresponding schedule of discounts applied and adjusted on the basis of the patients' ability to pay and their eligibility. A patient's eligibility to pay is determined on the basis of the official poverty guidelines, as revised by HHS (42 CFR Sections 51c.107(b)(5), 56.108(b)(5) and 56.303(f)). The Center should be implementing and monitoring procedures to properly determine, calculate and review sliding fee discounts given to patients in accordance with the Center's sliding fee scale.

Statement of Condition:

The Center did not properly determine the sliding fee discount category given to one of the twenty-eight self-pay patients selected for testing based on the sliding fee scale in effect for the fiscal year ended June 30, 2012. In addition, four out of the twenty-eight self-pay patients selected for testing were missing the sliding fee documentation including sliding fee application, proof of identity, proof of income and family size. Therefore, there is no evidence supporting the sliding fee discount the patients were given. Furthermore, the Center did not have a copy of the insurance card on file for three out of the total forty patients selected for testing.

Questioned Costs:

None

Effect:

The Center did not comply with the determination of sliding fee discounts based on the Federal poverty guidelines in effect for the fiscal year 2012. In addition, patient accounts were not properly adjusted to reflect the appropriate sliding fee discounts.

Cause:

The condition can be attributed to human error and the lack of internal controls to review and ensure that the proper sliding fee discounts are being applied.

Recommendation:

We recommend that proper training be given to employees at registration and that sliding fee discounts be monitored and reviewed by a supervisor on a periodic basis to ensure compliance with the sliding fee scale. In addition, we recommend that the Center update its billing system to properly reflect the discounts to be given to patients based on their sliding fee category.

Management's Response:

Subsequent to year-end, additional training is being conducted for employees at the Center. In addition, the sliding fee discounts will be monitored and reviewed by the supervisor on a more routine basis to ensure that the sliding fee is properly administered to eligible patients.

Bond Community Health Center, Inc.

**Status of Prior Year's Findings
Year Ended June 30, 2012**

None