

**Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde
Community Health Center)**

**Financial Statements,
Schedule of Expenditures of Federal Awards,
Internal Control and Compliance
and Independent Auditor's Reports**

June 30, 2014 and 2013

**Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde
Community Health Center)**

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Independent Auditor's Report

To the Board of Directors
Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde Community Health Center)

Report on the Financial Statements

We have audited the accompanying financial statements of Community Health Project, Inc. (d/b/a Michael Callen - Audre Lorde Community Health Center) ("Callen-Lorde"), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Callen-Lorde as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2015, on our consideration of Callen-Lorde'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 Callen-Lorde's internal control over financial reporting and compliance.



New York, New York
February 12, 2015

Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde
Community Health Center)

Statements of Financial Position
June 30, 2014 and 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 7,042,086	\$ 5,549,862
Patient services receivable, net	2,545,790	2,478,092
Pharmacy and other receivables	2,390,453	2,010,439
Grants and contracts receivable	1,412,835	1,574,158
Prepaid expenses and other current assets	312,106	47,989
Inventory	876,756	815,961
Total current assets	14,580,026	12,476,501
Restricted cash and cash equivalents	1,500,000	-
Property and equipment, net	10,329,893	7,311,329
Deferred financing fees, net of accumulated amortization of \$488,557 and \$461,415	325,708	352,850
Security deposits	423,862	414,334
Totals	\$ 27,159,489	\$ 20,555,014
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,700,287	\$ 2,098,472
Accrued compensation	1,124,604	926,905
Note payable, current maturities	414,814	354,223
Due to third party, current maturities	159,240	100,088
Total current liabilities	3,398,945	3,479,688
Long-term liabilities:		
Note payable, less current maturities	4,366,101	3,780,915
Due to third party, less current maturities	-	66,666
Deferred rent	439,492	67,739
Total long-term liabilities	4,805,593	3,915,320
Total liabilities	8,204,538	7,395,008
Commitments and contingencies		
Net assets:		
Unrestricted:		
Undesignated	17,322,957	12,919,318
Board-designated reserve for capital projects and special projects	1,500,000	-
Total unrestricted net assets	18,822,957	12,919,318
Temporarily restricted net assets	131,994	240,688
Total net assets	18,954,951	13,160,006
Totals	\$ 27,159,489	\$ 20,555,014

See Notes to Financial Statements.

**Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde
Community Health Center)**

**Statements of Activities and Changes in Net Assets
Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Unrestricted revenue:		
Patient services revenue (net of contractual allowances and discounts)	\$ 14,322,555	\$ 13,125,270
Provision for bad debts	<u>(189,900)</u>	<u>(327,820)</u>
Net patient service revenue less provision for bad debts	14,132,655	12,797,450
Pharmacy revenue	29,598,706	23,729,885
DHHS grants	1,196,164	837,311
Contract services and other grants	3,926,065	3,765,256
Fundraising and contributions	1,141,340	849,344
Other	265,085	563,043
Released from restrictions	<u>493,050</u>	<u>514,338</u>
Total unrestricted revenue	<u>50,753,065</u>	<u>43,056,627</u>
Expenses:		
Salaries and related benefits	16,717,624	14,106,407
Other than personnel services	28,202,760	22,705,883
Interest	<u>98,756</u>	<u>230,995</u>
Total expenses	<u>45,019,140</u>	<u>37,043,285</u>
Operating income prior to depreciation and amortization and nonoperating revenue	5,733,925	6,013,342
Depreciation and amortization	<u>442,134</u>	<u>365,170</u>
Operating income prior to nonoperating revenue	5,291,791	5,648,172
Nonoperating revenue: contract services and other grants for capital additions	<u>611,848</u>	<u>755,874</u>
Increase in unrestricted net assets	<u>5,903,639</u>	<u>6,404,046</u>
Changes in temporarily restricted net assets:		
Contributions	384,356	488,577
Release to operations	<u>(493,050)</u>	<u>(514,338)</u>
Decrease in temporarily restricted net assets	<u>(108,694)</u>	<u>(25,761)</u>
Increase in net assets	5,794,945	6,378,285
Net assets, beginning of year	<u>13,160,006</u>	<u>6,781,721</u>
Net assets, end of year	<u>\$ 18,954,951</u>	<u>\$ 13,160,006</u>

See Notes to Financial Statements.

**Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde
Community Health Center)**

**Statement of Functional Expenses
Year Ended June 30, 2014**

	Program Services	General and Administrative	Fund- raising	Total
Salaries and wages	\$ 10,754,359	\$ 2,366,190	\$ 120,363	\$ 13,240,912
Employee benefits	2,823,809	621,299	31,604	3,476,712
Consultants and contractual services	813,256	627,737	561	1,441,554
Professional fees	-	299,847	-	299,847
Consumable supplies	1,061,157	74,226	6,713	1,142,096
Laboratory and radiology	167,833	-	-	167,833
Pharmaceuticals	23,008,023	-	-	23,008,023
Occupancy	593,942	162,718	36,749	793,409
Insurance	58,651	96,818	-	155,469
Equipment rental and maintenance	82,769	32,321	3,984	119,074
Telephone	87,335	16,198	3,995	107,528
Printing, publications and postage	13,844	13,373	755	27,972
Travel, conference and meeting	171,161	25,697	3,313	200,171
Dues and subscriptions	26,124	104,839	4,719	135,682
Health promotion	2,283	12,777	4,714	19,774
Interest	89,769	8,987	-	98,756
Other	110,258	325,360	148,710	584,328
Totals	39,864,573	4,788,387	366,180	45,019,140
Depreciation and amortization	401,900	40,234	-	442,134
Total functional expenses	<u>\$ 40,266,473</u>	<u>\$ 4,828,621</u>	<u>\$ 366,180</u>	<u>\$ 45,461,274</u>

See Notes to Financial Statements.

Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde
Community Health Center)

Statement of Functional Expenses
Year Ended June 30, 2013

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund- raising</u>	<u>Total</u>
Salaries and wages	\$ 8,956,681	\$ 2,249,603	\$ 140,124	\$ 11,346,408
Employee benefits	2,178,701	547,213	34,085	2,759,999
Consultants and contractual services	461,258	776,484	450	1,238,192
Professional fees	-	212,228	-	212,228
Consumable supplies	946,561	184,165	6,057	1,136,783
Laboratory and radiology	162,528	-	-	162,528
Pharmaceuticals	18,500,062	-	-	18,500,062
Occupancy	238,335	107,989	30,300	376,624
Insurance	42,279	85,538	-	127,817
Equipment rental and maintenance	82,442	19,759	1,695	103,896
Telephone	74,658	18,625	1,295	94,578
Printing, publications and postage	6,425	22,048	25,221	53,694
Travel, conference and meeting	131,667	6,516	1,658	139,841
Dues and subscriptions	30,401	102,467	3,295	136,163
Health promotion	5,986	-	200	6,186
Interest	205,423	25,572	-	230,995
Other	108,485	103,781	205,025	417,291
Totals	<u>32,131,892</u>	<u>4,461,988</u>	<u>449,405</u>	<u>37,043,285</u>
Depreciation and amortization	<u>331,940</u>	<u>33,230</u>	<u>-</u>	<u>365,170</u>
Total functional expenses	<u>\$ 32,463,832</u>	<u>\$ 4,495,218</u>	<u>\$ 449,405</u>	<u>\$ 37,408,455</u>

See Notes to Financial Statements.

Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde
Community Health Center)

Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Operating activities:		
Cash received from patient services	\$ 14,064,957	\$ 12,453,408
Cash received from pharmacy	29,218,692	22,910,295
Cash received from grants and contract services	5,283,552	4,270,868
Cash received from fundraising and contributions	1,525,696	1,337,921
Cash received from other	255,557	420,723
Cash paid to employees	(16,519,925)	(13,991,485)
Cash paid to vendors	(28,701,685)	(22,563,928)
Cash paid for interest	(71,614)	(203,853)
Net cash provided by operating activities	5,055,230	4,633,949
Investing activities:		
Purchases of property and equipment	(2,701,269)	(210,733)
Increase in restricted cash and cash equivalents	(1,500,000)	-
Net cash used in investing activities	(4,201,269)	(210,733)
Financing activities:		
Proceeds from line of credit	-	300,000
Repayments of line of credit	-	(500,000)
Proceeds from note payable	999,999	-
Repayments of note payable	(354,222)	(345,538)
Repayments to third party	(7,514)	(94,969)
Net cash provided by (used in) financing activities	638,263	(640,507)
Net increase in cash and cash equivalents	1,492,224	3,782,709
Cash and cash equivalents, beginning of year	5,549,862	1,767,153
Cash and cash equivalents, end of year	\$ 7,042,086	\$ 5,549,862
Reconciliation of increase in net assets to net cash provided by operating activities:		
Increase in net assets	\$ 5,794,945	\$ 6,378,285
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	442,134	365,170
Amortization of deferred financing fees	27,142	27,142
Deferred rent	371,753	67,739
Nonoperating revenue from contract services and other grants for capital additions	(611,848)	(755,874)
Provision for bad debts	189,900	327,820
Changes in operating assets and liabilities:		
Patient services receivable	(257,598)	(671,862)
Pharmacy and other receivables	(380,014)	(819,590)
Grants and contracts receivable	161,323	(331,699)
Prepaid expenses and other current assets	(264,117)	61,963
Inventory	(60,795)	(454,185)
Security deposits	(9,528)	(142,320)
Accounts payable and accrued expenses	(545,766)	466,438
Accrued compensation	197,699	114,922
Net cash provided by operating activities	\$ 5,055,230	\$ 4,633,949
Supplemental disclosure of noncash investing and financing activities:		
Capital acquisitions included in accounts payable and accrued expenses	\$ 147,581	\$ -
Capital acquisitions funded through contract services and other grants	\$ 611,848	\$ 755,874

See Notes to Financial Statements.

**Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde
Community Health Center)**

**Notes to Financial Statements
June 30, 2014 and 2013**

Note 1 - Organization

Community Health Project, Inc. (d/b/a Michael Callen - Audre Lorde Community Health Center) ("Callen-Lorde or the "Center") is a community-based healthcare center located in New York, New York. The Center provides high-quality healthcare and related services primarily to the lesbian, gay, bisexual and transgender community of New York in all its diversity, without regard to ability to pay. To further this mission, the Center promotes health education and wellness, and advocates for lesbian, gay, bisexual and transgender health issues.

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 - 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 classifies its net assets into three categories, which are described as follows:

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 statements of activities and changes in net assets as 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.

Permanently restricted net assets are subject to donor-imposed stipulations that must be maintained permanently by the Center. There were no permanently restricted net assets at June 30, 2014 and 2013.

**Community Health Project, Inc.
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**Notes to Financial Statements
June 30, 2014 and 2013**

Cash and cash equivalents

The Center maintains its cash and cash equivalents 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, 2014 and 2013, the Center's cash and cash equivalents balance exceeds Federally-insured limits by approximately \$8,337,000 and \$5,192,000, respectively. All highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents.

Patient services receivable and concentration of credit risk

The collection of receivables from third-party payors and patients is the Center's primary 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 to the allowance account when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debts expense when received.

Charity care and community benefit

The Center is open to all patients, regardless of their ability to pay. In the ordinary course of business, the Center renders services to patients who are financially unable to pay for healthcare. The Center provides care to these patients who meet certain criteria under its sliding fee discount policy without charge or at amounts less than the established rates. Charity care services are computed using a sliding fee scale based on patient income and family size.

The Center maintains records to identify and monitor the level of sliding fee discount it provides. For uninsured self-pay patients that do not qualify for charity care, the Center recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates, if negotiated or provided by policy. On the basis of historical experience, a significant portion of the Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Center records a significant provision for bad debts related to uninsured patients in the period the services are provided.

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June 30, 2014 and 2013

Community benefit represents the cost of services for Medicaid, Medicare, and other public patients for which the Center is not reimbursed.

Based on the cost of patient services, charity care and community benefit for the years ended June 30 amounted to the following:

	<u>2014</u>	<u>2013</u>
Charity care	\$ 786,668	\$1,755,591
Community benefit	4,550,257	1,930,665

Grants and contracts receivable

Grants and contracts receivable consists of costs under the grant and contract agreements which were incurred prior to year-end for which payment has not been received. Grants and contracts receivable credit risk is limited due to the nature of the grants and contracts. The Center regularly monitors its grants and contracts receivable by investigating delayed payments and differences when payments received do not conform to the amount billed. The Center considers all grants and contracts as collectible.

Fair value of financial instruments

The Center's material financial instruments at June 30, 2014 and 2013 for which disclosure of estimated fair value is required by certain accounting standards consists of cash and cash equivalents, patient services receivable, pharmacy receivable, grants and contracts receivable, accounts payable and accrued expenses, accrued compensation, advances from a third party, and note payable to unrelated party. The fair values of cash and cash equivalents, patient services receivable, pharmacy receivable, grants and contracts receivable, accounts payable and accrued expenses and accrued compensation are equal to their carrying value because of their liquidity and short-term maturity. Management believes that the fair value of the note payable to unrelated party does not differ materially from its aggregate carrying value in that substantially all of the obligation bears an interest rate that is based on market rates or interest rates that are periodically adjustable to rates that are based on market rates.

Management believes that as a result of the relationship between the Center and the third party from whom an advance was received, there is no practical method that can be used to determine the fair value of advances from a third party and that the amount is not material to the financial statements.

Inventory

Inventory, consisting of supplies and drugs, is stated at the lower of cost (first-in, first-out basis) or market.

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**Notes to Financial Statements
June 30, 2014 and 2013**

Restricted cash and cash equivalents

The Center has cash and cash equivalents the use of which has been limited by the Board of Directors for special and expansion projects.

Property and equipment

Property and equipment are stated at cost, or, if donated, at the fair value at the date of donation. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the assets, ranging from 2 to 40 years. Leasehold improvements are amortized on a straight-line basis over the estimated useful life of the improvement or the term of the lease, whichever is less. The Center capitalizes all purchases of property and equipment in excess of \$2,500.

Construction-in-progress is recorded at cost. The Center capitalizes construction, insurance and other costs during the period of construction. Depreciation is recorded when construction is substantially complete and the assets are placed in service.

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 changes in net assets.

According to Federal regulations, any 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 equipment is used for its 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 equipment.

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 asset's carrying value and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance and pricing trends. The Center does not believe that any material impairment currently exists related to its long-lived assets.

Deferred financing fees

Deferred financing fees consist of various expenses the Center incurred in obtaining long-term financing. These costs are being amortized over the expected life of the debt, which is approximately 30 years.

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**Notes to Financial Statements
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Deferred rent

The Center's lease agreement for a certain building contains escalation clauses that require normalization of the rental expense over the life of the lease. The resulting deferred rent is reflected in the accompanying statements of financial position.

Patient service 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 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 revenue. Contractual allowances are then deducted to arrive at net self-pay patient revenue before provision for bad debts.

Pharmacy receivable and revenue

The Center participates in Section 340B of the Public Health Service Act ("PHS Act"), *Limitation on Prices of Drugs Purchased by Covered Entities*. Participation in this program allows the Center to purchase pharmaceuticals at discounted rates for prescriptions to eligible patients. Pharmacy revenue is generated through the pharmacy and 340B program that the Center operates through its agreement with a third party for the years ended June 30, 2014 and 2013. Under this program, the Center uses the third party as its agent for the purpose of operating and managing the pharmacy and providing pharmacy services. The Center recognized pharmacy revenue of \$29,598,706 and \$23,729,885 for the years ended June 30, 2014 and 2013, respectively, and other receivables of \$2,390,453 and \$2,010,439 as of June 30, 2014 and 2013, respectively.

Grants and contracts revenue

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when 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, 2014, the Center has received conditional grants and contracts from governmental entities in the aggregate amount of \$2,423,239 that have not been recorded in the accompanying

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**Notes to Financial Statements
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financial statements. These grants and contracts require the Center to provide certain services during specified periods. If such services are not provided during the periods, the governmental entities are not obligated to expend the funds allotted under the contracts.

Contributions

Contributions are recorded as either temporarily or permanently restricted revenue if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as unrestricted revenue. 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 statements of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as unrestricted revenue.

In-kind contributions

Donated vaccines are recognized in the accompanying financial statements based on fair value.

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 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 six years and be paid out based on a transitional schedule. The Center's providers have met the criteria for Year 1 and have earned \$191,250 from the Medicaid incentive program for the year ended June 30, 2014, which is included in other revenue on the statement of activities and changes in net assets.

Performance indicator

The statements of activities and changes in net assets include operating income prior to non-operating revenue as the performance indicator. Changes in unrestricted net assets which are excluded from the performance indicator include contract services and other grants for capital additions.

Interest earned on Federal funds

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

**Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde
Community Health Center)**

**Notes to Financial Statements
June 30, 2014 and 2013**

Functional expenses

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

Reclassifications

Certain reclassifications have been made to the 2013 balances to conform to the 2014 presentation.

Tax status

The Center was incorporated as a not-for-profit corporation under the laws of the State of New York and is exempt from Federal 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, 2014 and 2013. The Center's Federal and state income tax returns prior to fiscal year 2011 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Center recognizes interest and penalties associated with tax matters as operating expenses and includes accrued interest and penalties with accrued expenses in the statements of financial position.

Subsequent events

The Center has evaluated subsequent events through February 12, 2015, which is the date the financial statements were available to be issued.

Note 3 - Patient services receivable, net

Patient services receivable, net consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Medicaid	\$ 907,138	\$ 569,415
Medicare	178,236	202,970
Private insurance	210,110	129,888
Self-pay	100,272	70,730
Managed Care	<u>643,119</u>	<u>774,100</u>
Totals	2,038,875	1,747,103
Less allowance for doubtful accounts	<u>788,105</u>	<u>778,431</u>
Totals	1,250,770	968,672
New York State Uncompensated Care	<u>1,295,020</u>	<u>1,509,420</u>
Totals	<u>\$2,545,790</u>	<u>\$2,478,092</u>

**Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde
Community Health Center)**

**Notes to Financial Statements
June 30, 2014 and 2013**

Patient services receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of patient services receivable, the Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Center records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates or the discounted rates provided by the Center's policy and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts.

The Center's allowance for doubtful accounts was 24% of patient services receivable as of June 30, 2014 and 2013. The Center had \$180,226 and \$242,229 of direct write-offs for the years ended June 30, 2014 and 2013, respectively. The Center has not changed its charity care or uninsured discount policies during fiscal year 2014.

Note 4 - Grants and contracts receivable

Grants and contracts receivable consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
New York State Department of Health	\$ 420,160	\$ 338,720
New York City Department of Health	499,539	687,113
Lutheran Medical Center	123,468	123,468
Other	<u>369,668</u>	<u>424,857</u>
Totals	<u>\$1,412,835</u>	<u>\$1,574,158</u>

**Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde
Community Health Center)**

**Notes to Financial Statements
June 30, 2014 and 2013**

Note 5 - Property and equipment, net

Property and equipment, net, consists of the following at June 30:

	<u>2014</u>	<u>2013</u>
Land	\$ 1,000,000	\$ 1,000,000
Building and building improvements	8,170,466	8,120,759
Furniture and equipment	3,290,819	2,948,594
Construction-in-progress	<u>4,014,646</u>	<u>946,726</u>
Totals	16,475,931	13,016,079
Less accumulated depreciation	<u>6,146,038</u>	<u>5,704,750</u>
Totals	<u>\$10,329,893</u>	<u>\$ 7,311,329</u>

Construction-in-progress includes a building under construction that is funded under a grant from the City of New York. The corresponding revenue for the years ended June 30, 2014 and 2013 amounted to \$611,848 and \$755,874, respectively, is included in non-operating revenue in the statements of activities and changes in net assets. Amounts were paid directly to the contractor by the City of New York.

In the event the DHHS grants are terminated, the DHHS reserves the right to transfer all property and equipment purchased with grant funds to the PHS or third parties.

For the year ended June 30, 2014, the Center incurred interest of \$211,175, of which \$112,419 was capitalized.

Note 6 - Line of credit

The Center has a revolving line of credit available in the amount of \$1,500,000 which expired on February 1, 2015 and was not subsequently renewed. This agreement required interest to be charged at the greater of the national average prime rate (3.25% at June 30, 2014) plus 2%, or 6.75% per annum (6.75% at June 30, 2014). The debt was collateralized by a second priority security interest in the Center's New York State bad debt and charity care receivables and patient accounts receivable. There was no outstanding balance on this line of credit at June 30, 2014 and 2013.

**Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde
Community Health Center)**

**Notes to Financial Statements
June 30, 2014 and 2013**

Note 7 - Note payable

On September 14, 1995, the Center purchased a 27,000-square-foot building located at 356 West 18th Street in New York, New York. Completion of improvements to the property allowed the Center to consolidate its operations at a single location on March 2, 1998.

Long-term debt consists of the following at June 30:

	2014	2013
<p>On September 14, 1995, the Center obtained permanent financing for its facility. On that date, the Center entered into a ground lease and a construction disbursement agreement with the Dormitory Authority of the State of New York ("DASNY"). DASNY's disbursements to the Center under these agreements, which were financed through DASNY's issuance of bonds, totaled \$7,630,000. Under these agreements, the Center makes lease payments to DASNY in amounts equal to the principal and interest payments required under the bonds through April 1, 2023. On August 26, 2010, the DASNY bonds were refinanced through the issuance of new DASNY bonds. Under the new bonds, the Center's security deposit for the lease, held by DASNY through its intermediary was reduced to \$261,251, which is included in the statements of financial position under security deposits. Also, the monthly amortization amounts (for principal and interest) were reduced with an average interest rate over the remaining term of the debt expected to be 3.56%.</p>	\$3,780,916	\$4,135,138
<p>The Center entered into a note payable with a face amount of \$999,999 on February 12, 2014 with an original maturity date of February 1, 2021. The loan requires equal monthly payments of principal and interest of \$16,221, which includes interest at 5.25%, beginning on February 1, 2015. The loan is collateralized by the Center's New York State bad debt and charity care receivables and patient accounts receivable. The Center paid the entire balance of the loan on February 3, 2015.</p>	999,999	-
Totals	4,780,915	4,135,138
Less current maturities	414,814	354,223
Long-term portion	\$4,366,101	\$3,780,915

**Community Health Project, Inc.
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**Notes to Financial Statements
June 30, 2014 and 2013**

The aggregate amount of principal payments of long-term debt in each of the five years subsequent to 2014 and thereafter is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 414,814
2016	529,782
2017	554,068
2018	581,151
2019	607,371
Thereafter	<u>2,093,729</u>
Total	<u>\$4,780,915</u>

Callen-Lorde is required to comply with certain covenants under its line of credit and note payable.

Note 8 - Due to third party

Amounts due to third party pertain to amounts owed to a vendor operating and managing the 340B program. A portion of the amount due to the third party is a \$250,000 non-interest bearing loan, payable over a period of five years, amortized monthly in the amount of \$4,167, with an outstanding balance of \$50,088 as of June 30, 2014. Total payments due to third party within one year subsequent to June 30, 2014 amounts to \$159,240.

Note 9 - Temporarily restricted net assets

The Center receives contributions from various funders designated for program specific purposes. The following consists of the unspent restricted funds as of June 30:

	<u>2014</u>	<u>2013</u>
Outreach and Enrollment Program	\$ 20,599	\$ -
Program for Integration of Health and Mental Health Services	-	52,270
MMU Care Coordination Program	34,534	35,381
Health Information Technology Capacity Building Projects	-	15,205
Breast Cancer Screening Project	16,861	1,615
Transgender Patient Data Project	-	11,964
Transgender Case Management	60,000	60,000
Mental Health Expansion Project	-	54,253
Transgender Health Protocols Project	-	10,000
	<u> </u>	<u> </u>
Totals	<u>\$ 131,994</u>	<u>\$ 240,688</u>

**Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde
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**Notes to Financial Statements
June 30, 2014 and 2013**

Note 10 - Patient services revenue, net

For the years ended June 30, 2014 and 2013, the Center recognized patient services revenue, net of contractual allowances and discounts (but before the provision for bad debts) for the following major payors:

	<u>2014</u>	<u>2013</u>
Medicaid	\$ 3,491,466	\$ 3,065,761
Medicaid managed care	2,460,867	1,924,611
Medicare	445,451	388,934
Private insurance	962,977	964,689
Self-pay	<u>691,080</u>	<u>566,394</u>
Totals	8,051,841	6,910,389
New York State Uncompensated Care	2,844,694	2,637,552
New York State Medicaid Managed Care Wraparound	<u>3,426,020</u>	<u>3,577,329</u>
Totals	<u>\$14,322,555</u>	<u>\$13,125,270</u>

Medicaid and Medicare revenue is reimbursed to Callen-Lorde 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.

Note 11 - Contract services and other grants revenue

Contract services and other grants revenue consist of the following for the years ended June 30:

	<u>2014</u>	<u>2013</u>
New York City Department of Health	\$ 1,741,646*	\$ 2,169,001*
New York State Department of Health	1,541,967	1,564,902
Lutheran Medical Center:		
CHC Program	493,872	493,872
Other	<u>760,428</u>	<u>293,355</u>
Totals	<u>\$ 4,537,913</u>	<u>\$ 4,521,130</u>

*New York City Department of Health includes nonoperating revenue of \$611,848 and \$755,874 for 2014 and 2013, respectively.

**Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde
Community Health Center)**

**Notes to Financial Statements
June 30, 2014 and 2013**

Note 12 - DHHS grants

For the years ended June 30 2014 and 2013, Callen-Lorde received the following grants from the DHHS:

<u>Grant Number</u>	<u>Grant Period</u>	<u>Total Grant</u>	<u>2014 Revenue</u>	<u>2013 Revenue</u>
6 H76HA00636-14-01	07/01/13 – 04/30/14	\$307,962	\$ 307,962	
6 H76HA00636-15-01	05/01/14 – 04/30/15	361,955	47,009	
1U65PS003571-01	09/30/11 – 09/29/12	175,267		\$66,849
5 H97HA00636-13-03	07/01/12 – 06/30/13	379,005		379,005
6H12HA24871-01-03	08/01/12 – 07/31/13	350,000	85,815	264,185
6H12HA24871-02-01	08/01/13 – 07/31/14	331,902	288,326	
1H97HA24983-01-00	09/01/12 – 08/31/13	80,000	19,954	60,046
5U65PS003571-02	09/30/12 – 09/29/13	174,936	107,710	67,226
5U65PS003571-03	09/30/13 – 09/29/14	161,135	99,585	
1U51PS003826-01	08/01/13 – 07/31/15	686,985	<u>239,803</u>	
Totals			<u>\$1,196,164</u>	<u>\$837,311</u>

Note 13 - Fundraising and contributions

Fundraising and contributions revenue consists of the following for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Fundraising	\$ 436,809	\$ 461,908
Contributions	1,088,886*	743,374*
Donated vaccines	<u>-</u>	<u>132,639</u>
Totals	<u>\$ 1,525,695</u>	<u>\$ 1,337,921</u>

*Includes temporarily restricted contributions amounting to \$384,356 and \$488,577 for 2014 and 2013, respectively. See Note 9 for more details.

**Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde
Community Health Center)**

**Notes to Financial Statements
June 30, 2014 and 2013**

Note 14 - Leases

In May 2013, the Center entered into a noncancelable operating lease of a facility with a term of eleven years. Rent expense amounted to \$371,753 and \$67,739 for the years ended June 30, 2014 and 2013, respectively. In addition, the Center leases equipment under a five-year lease term. The leases require future minimum payments as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 355,020
2016	425,844
2017	429,800
2018	436,247
2019	446,308
Thereafter	<u>2,352,440</u>
Total	<u>\$4,445,659</u>

The lease for one of the Center's spaces includes scheduled base rent increases over the term of the lease. The total amount of the base rent payments is being charged to expense on the straight-line method over the term of the lease. The Center has recorded deferred rent to reflect the excess of rent expense over payments since inception of the lease.

Note 15 - Commitments and contingencies

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

Callen-Lorde 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. The Center purchases professional and general liability insurance to cover medical malpractice claims in excess of the FTCA coverage. There are no known claims or incidents that may result in the assertion of additional claims arising from services provided to patients as of June 30, 2014.

**Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde
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**Notes to Financial Statements
June 30, 2014 and 2013**

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. Callen-Lorde 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, Callen-Lorde could be held responsible for refunding the amount in questions.

Note 16 - Pension plan

Callen-Lorde maintains a contributory defined contribution retirement plan covering substantially all its employees. Participants are always fully vested in their contributions to the plan and benefits are limited to plan assets. Callen-Lorde does not contribute to the plan.

**Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde
Community Health Center)**

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014**

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:			
Direct programs:			
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	\$ 354,971
Coordinated Services and Access to Research for Women, Infants, Children and Youth	93.153	N/A	374,141
Special Projects of National Significance	93.928	N/A	19,954
Adult Viral Hepatitis Prevention and Control	93.270	N/A	239,803
HIV Prevention Activities - Non Governmental Organization Based	93.939	N/A	207,295
Passed through Sunset Park Health Council, Inc.:			
Health Centers Cluster:			
Consolidated Health Centers	93.224	Not Available	378,541
Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program	93.527	Not Available	115,331
Subtotal Health Centers Cluster			493,872
Passed through Public Health Solutions:			
HIV Emergency Relief Project Grants	93.914	09-MCM-707	504,411
Family Planning Services	93.217	13-CALLEN-01	110,949
HIV Demonstration, Research, Public and Professional Education Projects	93.941	14-CL-01	3,402
HIV Prevention Activities - Health Department Based	93.940	11-HTR-707/13-SBH-707	305,284
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	13-SBH-707	156,150
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	13-CL-01/14-CL-02	97,202
Passed through Research Foundation of The City University of New York:			
Alcohol Research Programs	93.273	41830-A	264,575
Passed through Research Foundation of the City University of New York on behalf of Hunter College:			
Drug Abuse and Addiction Research Program	93.279	7F034C/41821-A	40,462
Passed Through New York State Department of Health			
Office of Health Insurance Programs:			
Medical Assistance Program	93.778	C027812/C028917	79,864
Children's Health Insurance Program (CHIP)	93.767	C027812	35,614
Passed Through New York State Department of Health			
Children's Health Insurance Program (CHIP)	93.767	C028917	3,028
Subtotal CFDA Number 93.767			38,642
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	C028917	217,370
Passed Through Research Foundation for Mental Hygiene, Inc.:			
Mental Health Research Grants	93.242	1R01MH102161-01A1	3,454
Passed Through Columbia University of the City of New York:			
Mental Health Research Grants	93.242	5-3054 /	46,899
Subtotal CFDA Number 93.242			50,353
Total Federal awards - U.S. Department of Health and Human Services			\$ 3,558,700

See Notes to Schedule of Expenditures of Federal Awards.

**Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde
Community Health Center)**

**Notes to Schedule of Expenditures of Federal Awards
June 30, 2014**

Note 1 - General information

The accompanying schedule of expenditures of Federal awards (the "Schedule") presents the activities in Federal awards of Callen-Lorde. All financial assistance received directly from Federal agencies, as well as financial assistance passed through other governmental agencies or nonprofit organizations, are included in the Schedule.

Note 2 - Basis of accounting

The accompanying Schedule 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, *Audit 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. In certain programs, the revenues reported in the basic financial statements may differ from the expenditures reported in the Schedule due to program expenditures exceeding grant or contract budget limitations or agency matching or in-kind contributions which are not included in the Schedule.

Note 4 - Subrecipients

Of the Federal expenditures presented in this Schedule, Callen-Lorde provided no Federal awards to subrecipients.

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

To the Board of Directors
Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde Community Health Center)

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community Health Project, Inc. (d/b/a Michael Callen - Audre Lorde Community Health Center) ("Callen - Lorde" or the "Center"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 12, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

New York, New York
February 12, 2015

Independent Auditor's Report on
Compliance for Each Major Federal Program
and Report on Internal Control over
Compliance Required by OMB Circular A-133

To the Board of Directors
Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde Community Health Center)

Report on Compliance for Each Major Federal Program

We have audited Community Health Project, Inc.'s (d/b/a Michael Callen - Audre Lorde Community Health Center) ("Callen - Lorde" or the "Center") compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Center's major Federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Center 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 Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



New York, New York
February 12, 2015

**Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde
Community Health Center)**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:

Unmodified

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

Noncompliance material to financial statements noted?

___ yes no

Federal Awards:

Internal control over major programs:

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

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

Unmodified

Any audit findings disclosed that are required to be reported in
accordance with Section 510(a) of OMB Circular A-133?

___ yes no

Identification of major programs:

CFDA Number(s)

Name of Federal Program

93.224
93.527

Health Centers Cluster:
Consolidated Health Centers
Affordable Care Act (ACA) Grants
for New and Expanded Services
Under the Health Center Program
HIV Emergency Relief Project Grants

93.914

93.918

Grants to Provide Outpatient Early
Intervention Services with Respect
to HIV Disease

93.940

HIV Prevention Activities - Health
Department Based

93.153

Coordinated Services and Access to
Research for Women, Infants,
Children and Youth

**Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde
Community Health Center)**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

Dollar threshold used to distinguish
between type A and type B programs \$300,000

Auditee qualified as low-risk auditee? ___ yes ✓ no

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**Community Health Project, Inc.
(d/b/a Michael Callen - Audre Lorde
Community Health Center)**

**Status of Prior Year's Findings
Year Ended June 30, 2014**

<u>Finding Number</u>	<u>Condition</u>	<u>Status</u>
2013-1	Program Income and Eligibility	This condition was corrected in the current year.