



Health Care Center for the Homeless ®  
"One Community, One Health Center"

**HEALTH CARE CENTER FOR THE HOMELESS, INC.**  
**Financial Statements**  
**September 30, 2016 and 2015**  
**With Independent Auditors' Report**

**Health Care Center for the Homeless, Inc.  
September 30, 2016 and 2015**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Health Care Center for the Homeless, Inc.  
Orlando, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of Health Care Center for the Homeless, Inc. (the "Center") (a nonprofit organization), which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities, 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.

### Auditors' 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 audits 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 auditors' 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 auditors consider internal control relevant to the Center'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 Center'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 the Center as of September 30, 2016 and 2015, 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

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, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 March 27, 2017, 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* in considering the Center's internal control over financial reporting and compliance.



March 27, 2017

**Health Care Center for the Homeless, Inc.**  
**Statements of Financial Position**  
**September 30, 2016 and 2015**

	2016	2015
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 2,324,611	\$ 2,100,607
Accounts receivable	215,564	112,204
Grants receivable	274,982	307,651
Prepaid expenses	238,794	223,681
Total current assets	<u>3,053,951</u>	<u>2,744,143</u>
Property and equipment, net	2,898,593	2,690,684
Beneficial interest in net assets of Central Florida Foundation, Inc.	21,977	21,328
Investments in limited liability companies	10,000	12,633
Other	<u>9,321</u>	<u>6,621</u>
Total assets	<u>\$ 5,993,842</u>	<u>\$ 5,475,409</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 191,903	\$ 192,847
Accrued compensation	459,527	320,532
Other accrued expenses	23,275	11,752
Notes payable, current maturities	5,880	6,684
Current obligation under capital lease	13,670	13,070
Current maturities of deferred support	<u>335,924</u>	<u>595,254</u>
Total current liabilities	1,030,179	1,140,139
Notes payable, less current maturities	7,585	13,787
Obligation under capital lease, noncurrent	12,034	25,704
Deferred support, less current maturities	<u>672,311</u>	<u>177,186</u>
Total liabilities	<u>1,722,109</u>	<u>1,356,816</u>
Net assets		
Unrestricted	4,134,023	3,986,692
Temporarily restricted	<u>137,710</u>	<u>131,901</u>
Total net assets	<u>4,271,733</u>	<u>4,118,593</u>
Total liabilities and net assets	<u>\$ 5,993,842</u>	<u>\$ 5,475,409</u>

The Notes to Financial Statements are an integral part of these statements.

**Health Care Center for the Homeless, Inc.**  
**Statements of Activities**  
**Years Ended September 30, 2016 and 2015**

	Year Ended September 30, 2016			Year Ended September 30, 2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support, revenue and gains						
Support						
Government grants	\$ -	\$ 6,645,962	\$ 6,645,962	\$ -	\$ 5,187,526	\$ 5,187,526
Private support	404,546	634,430	1,038,976	370,494	111,968	482,462
In-kind contributions	1,199,467	-	1,199,467	1,520,311	-	1,520,311
Revenue, net of provision for contractual adjustments and bad debts for 2016 and 2015 of \$727,119 and \$471,153	2,540,786	-	2,540,786	1,955,271	-	1,955,271
Net assets released from restrictions						
Satisfaction of purpose restrictions	7,274,583	(7,274,583)	-	5,309,158	(5,309,158)	-
Other activities						
Gain from sale of limited liability company membership units	12,284	-	12,284	-	-	-
Total support and revenue	<u>11,431,666</u>	<u>5,809</u>	<u>11,437,475</u>	<u>9,155,234</u>	<u>(9,664)</u>	<u>9,145,570</u>
Expenses						
Program services						
Medical clinics	8,906,858	-	8,906,858	7,483,987	-	7,483,987
Tuberculosis shelter	128,452	-	128,452	104,038	-	104,038
Housing Services	675,979	-	675,979	-	-	-
Supporting services						
Management and general	1,420,577	-	1,420,577	1,159,969	-	1,159,969
Fundraising	152,469	-	152,469	113,550	-	113,550
Total expenses	<u>11,284,335</u>	<u>-</u>	<u>11,284,335</u>	<u>8,861,544</u>	<u>-</u>	<u>8,861,544</u>
Increase (decrease) in net assets	147,331	5,809	153,140	293,690	(9,664)	284,026
Net assets						
Beginning of year	<u>3,986,692</u>	<u>131,901</u>	<u>4,118,593</u>	<u>3,693,002</u>	<u>141,565</u>	<u>3,834,567</u>
End of year	<u>\$ 4,134,023</u>	<u>\$ 137,710</u>	<u>\$ 4,271,733</u>	<u>\$ 3,986,692</u>	<u>\$ 131,901</u>	<u>\$ 4,118,593</u>

The Notes to Financial Statements are an integral part of these statements.

**Health Care Center for the Homeless, Inc.**  
**Statements of Functional Expenses**  
**Years Ended September 30, 2016 and 2015**

	Year Ended September 30, 2016						Year Ended September 30, 2015					
	Program Services			Supporting Services			Program Services			Supporting Services		
	Medical Clinics	Tuberculosis Shelter	Housing Services	Management and General	Fundraising	Total	Medical Clinics	Tuberculosis Shelter	Housing Services	Management and General	Fundraising	Total
Accounting	\$ -	\$ -	\$ -	\$ 41,636	\$ -	\$ 41,636	\$ 5,340	\$ -	\$ -	\$ 15,777	\$ -	\$ 21,117
Advertising	628	-	-	20,123	-	20,751	4,059	-	-	11,210	-	15,269
Bank charges	13,416	-	-	5,154	-	18,570	11,046	-	-	2,506	-	13,552
Computer and data processing	231,452	530	14,665	80,025	1,324	327,996	212,561	64	-	87,415	125	300,165
Conferences and training	21,626	-	9,210	4,731	2,768	38,335	31,616	189	-	5,305	762	37,872
Contracted services	211,090	10	691	28,368	554	240,713	142,497	-	-	2,410	-	144,907
Depreciation and amortization	118,869	26,511	-	165,454	476	311,310	125,986	26,656	-	151,480	477	304,599
Direct assistance	25,484	-	127,035	-	-	152,519	15,304	-	-	118	-	15,422
Dispensary	1,191,789	-	-	-	-	1,191,789	1,452,854	-	-	-	-	1,452,854
Dues and subscriptions	24,748	23	447	23,921	3,235	52,374	9,859	130	-	17,175	1,884	29,048
Food	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	92,429	7,843	12,662	11,933	1,963	126,830	78,086	17,333	-	16,363	1,819	113,601
Interest	813	-	-	3	-	816	276	-	-	12	-	288
Lab fees	451,545	-	-	-	-	451,545	369,103	-	-	-	-	369,103
Lease	62,517	20,000	27,500	2,983	-	113,000	32,312	20,000	-	446	-	52,758
Maintenance and repairs	244,836	2,318	3,371	33,094	464	284,083	170,449	9,156	-	17,137	544	197,286
Mammogram program	28,013	262	-	-	-	28,275	25,680	-	-	-	-	25,680
Miscellaneous	19,613	290	642	16,889	1,083	38,517	13,732	148	-	20,901	1,883	36,664
Personnel	5,512,616	63,787	447,977	883,573	120,211	7,028,164	4,327,984	23,216	-	743,213	91,783	5,186,196
Postage	3,125	-	-	3,995	2,650	9,770	2,164	-	-	3,140	1,372	6,676
Supplies	489,413	3,569	2,802	33,263	15,497	544,544	316,427	3,155	-	26,725	11,848	358,155
Taxes and licenses	15,522	-	50	1,576	54	17,202	10,208	214	-	3,079	-	13,501
Telephone	71,102	1,289	6,185	17,365	1,320	97,261	45,593	624	-	7,841	173	54,231
Travel	40,396	1,551	15,662	33,353	642	91,604	44,418	2,508	-	19,542	525	66,993
Utilities	35,816	469	7,080	13,138	228	56,731	36,433	645	-	8,174	355	45,607
	<u>\$ 8,906,858</u>	<u>\$ 128,452</u>	<u>\$ 675,979</u>	<u>\$ 1,420,577</u>	<u>\$ 152,469</u>	<u>\$ 11,284,335</u>	<u>\$ 7,483,987</u>	<u>\$ 104,038</u>	<u>\$ -</u>	<u>\$ 1,159,969</u>	<u>\$ 113,550</u>	<u>\$ 8,861,544</u>

The Notes to Financial Statements are an integral part of these statements.

**Health Care Center for the Homeless, Inc.**  
**Statements of Cash Flows**  
**Years Ended September 30, 2016 and 2015**

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	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>		
Cash received from contributors and patients	\$ 10,387,395	\$ 7,871,812
Cash paid to suppliers and employees	(9,638,281)	(6,925,280)
Interest received	2,784	1,488
Interest paid	(816)	(288)
Net cash provided by operating activities	<u>751,082</u>	<u>947,732</u>
<b>Cash flows from investing activities</b>		
Cash paid for security deposits	(2,700)	(5,000)
Purchases of property and equipment	(519,219)	(122,274)
Proceeds from sale of limited liability company membership units	14,917	-
Purchase of limited liability company membership units	-	(1,280)
Net cash used in investing activities	<u>(507,002)</u>	<u>(128,554)</u>
<b>Cash flows from financing activities</b>		
Principal payments on notes payable	(6,675)	(3,137)
Payments on capital lease obligation	(13,401)	(14,757)
Net cash used in financing activities	<u>(20,076)</u>	<u>(17,894)</u>
<b>Net increase in cash and cash equivalents</b>	224,004	801,284
<b>Cash and cash equivalents</b>		
Beginning of year	<u>2,100,607</u>	<u>1,299,323</u>
End of year	<u>\$ 2,324,611</u>	<u>\$ 2,100,607</u>

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**Health Care Center for the Homeless, Inc.**  
**Statements of Cash Flows**  
**Years Ended September 30, 2016 and 2015**

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	<b>2016</b>	<b>2015</b>
<b>Reconciliation of increase in net assets to net cash provided by operating activities</b>		
Increase in net assets	\$ 153,140	\$ 284,026
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	311,310	304,199
Gain on sale of limited liability company membership units	(12,284)	
Amortization of loan costs	-	400
Changes in assets and liabilities		
Accounts receivable	(103,360)	(44,392)
Grants receivable	32,669	(176,487)
Prepaid expenses	(15,113)	(66,613)
Beneficial interest in net assets of Central Florida Foundation, Inc.	(649)	1,587
Accounts payable	(944)	89,011
Accrued compensation	138,995	89,514
Other accrued expenses	11,523	(846)
Deferred support	235,795	467,333
	<u>597,942</u>	<u>663,706</u>
Total adjustments		
	<u>\$ 751,082</u>	<u>\$ 947,732</u>
Net cash provided by operating activities		

**Supplemental disclosure of noncash investing and financing activities**

During the year ended September 30, 2015, a vehicle was purchased with a note payable for \$15,000.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Health Care Center for the Homeless, Inc. (the "Center") provides quality health care services that improve the lives of the homeless and indigent. Support for providing these services is obtained from both government grants and private sector contributions. The Center serves clients in the Central Florida area.

**Use of Estimates**

In preparing the financial statements, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designed for specific purposes by action of the Board of Directors.

Temporarily Restricted Net Assets – Net assets 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 restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center.

**Cash and Cash Equivalents**

For the purpose of the statements of cash flows, the Center considers all short-term debt securities purchased with an original maturity of three months or less to be cash equivalents.

**Receivables**

Accounts receivable are stated at net realizable value. Accounts are considered past due after 30 days. Management evaluates account balances on a case-by-case basis and only writes off balances once all collection efforts have been exhausted. In determining whether or not to recognize an allowance for doubtful accounts, management makes a judgmental determination based on an evaluation of the facts and circumstances related to each account. Based on historical experience, a significant portion of the Center's uninsured patients' self-pay account balances are written off. There was no allowance for doubtful accounts at September 30, 2016 and 2015.

**Property and Equipment**

Property and equipment is recorded at cost. Depreciation is calculated by the straight-line method over the following estimated useful lives:

<b>Description</b>	<b>Estimated Life (Years)</b>
Building	20 years
Leasehold improvements	10 years
Equipment	5 – 10 years
Vehicles	5 – 10 years
Furniture and fixtures	3 – 7 years

Contributed assets are recorded at their estimated fair value at the date of contribution. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Repairs and maintenance are expensed as incurred.

**Investments in Limited Liability Companies**

The Center's investment in Health Choice Care, LLC is accounted for at cost.

**Grants and Contributions**

Contributions, including unconditional promises to give, are recorded as made. All contributions are reported as an increase in unrestricted net assets unless specifically restricted by the donor. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due within one year are recorded at their net realizable value. Unconditional promises to give due after one year are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Revenues from government agency contracts and fees are recognized in the period in which the Center provides the service.

**In-Kind Contributions**

In-kind contributions of materials used in programs are recorded as support and expense at the estimated fair value of the materials.

A number of volunteers have contributed significant amounts of their time to the Center's programs and management. Contributions of services are recorded if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. There were no contributed services for the years ended September 30, 2016 and 2015.

**Advertising**

Advertising costs are expensed as incurred. Advertising expenses were \$20,751 and \$15,269 for the years ended September 30, 2016 and 2015, respectively.

**Health Care Center for the Homeless, Inc.**  
**Notes to Financial Statements**  
**September 30, 2016 and 2015**

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**Income Taxes**

The Center is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

Accounting principles generally accepted in the United States of America prescribe requirements for the recognition of income taxes in financial statements, and the amounts recognized are affected by income tax positions taken by the Center in its tax returns. The Center's status as an exempt organization is defined as an income tax position under these requirements. While management believes it has complied with the Internal Revenue Code, the sustainability of some income tax positions taken by the Center in its tax returns may be uncertain. There are minimum thresholds of likelihood that uncertain tax positions are required to meet before being recognized in the financial statements. Management does not believe that the Center has any material uncertain tax positions at September 30, 2016.

In the event interest and penalties were due relating to an unsustainable tax position, they would be treated as a component of income tax expense.

**Subsequent Events**

The Center has evaluated subsequent events through March 27, 2017, the date which the financial statements were available to be issued. Based upon this evaluation, the Center has determined that, except for Note 15, no subsequent events have occurred which require adjustment to or disclosure in the financial statements.

**2. CASH AND CASH EQUIVALENTS**

As of September 30, 2016, the Center had demand accounts in five high credit quality financial institutions. The Center's accounts are federally insured up to \$250,000 per institution. These accounts, from time to time, exceed the federally insured limit.

**3. GRANTS RECEIVABLE**

Grants receivable at September 30, 2016 and 2015, consisted of government grants totaling \$274,982 and \$307,651, respectively, and are expected to mature within one year.

Deferred support at September 30, 2016 and 2015, consists of the following:

	<b>2016</b>	<b>2015</b>
Other support that should be recognized within one year.	\$ 335,924	\$ 595,254
Grant contract for building addition requiring the building to be used for specified purposes for a period of five years, condition expected to be fulfilled in September 2018, contract creates a collateral interest to the grantor in the building for the duration of the condition.	177,186	177,186
Grant contract for purchase of equipment to be acquired subsequent to September, 2017.	495,125	-
	<u>1,008,235</u>	<u>772,440</u>
Less current portion	<u>(335,924)</u>	<u>(595,254)</u>
	<u>\$ 672,311</u>	<u>\$ 177,186</u>

**Health Care Center for the Homeless, Inc.**  
**Notes to Financial Statements**  
**September 30, 2016 and 2015**

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**4. PROPERTY AND EQUIPMENT**

A summary of property and equipment at September 30, 2016 and 2015, is as follows:

	<b>2016</b>	<b>2015</b>
Land and building	\$ 3,024,429	\$ 3,024,429
Leasehold improvements	260,063	260,063
Equipment	1,650,828	1,467,402
Vehicles	709,975	686,222
Furniture and fixtures	104,510	104,510
Construction in progress	312,041	-
	<u>6,061,846</u>	<u>5,542,626</u>
Less accumulated depreciation	<u>3,163,253</u>	<u>2,851,942</u>
	<u>\$ 2,898,593</u>	<u>\$ 2,690,684</u>

Depreciation expense was \$311,310 and \$304,199 for the years ended September 30, 2016 and 2015, respectively.

**5. INVESTMENTS IN LIMITED LIABILITY COMPANIES**

The Center had a .013% ownership interest in Prestige Health Choice, LLC (“Prestige”) at September 30, 2015. Prestige was engaged in managed health care activities. In October 2015, the Center sold the entire ownership interest of 128 units for \$14,917.

The Center has a .26% ownership interest in Health Choice Care, LLC (“HCC”) at September 30, 2016 and 2015. HCC was formed to own, maintain, manage, and operate an Accountable Care Organization. At September 30, 2016 and 2015, the Center held 100 units.

During the year ended September 30, 2016, the Center acquired a .02% ownership interest in Prestige MSO HoldCo, LLC (“MSO”), making a capital contribution of \$87. MSO acquired a 49.0% interest in Community Care of Florida, LLC (“CCF”). CCF was formed to provide support services for an independent organization that operates under a contract with the Agency for Health Care Administration (“AHCA”).

**6. BENEFICIAL INTEREST IN NET ASSETS OF CENTRAL FLORIDA FOUNDATION, INC.**

Beneficial interest in net assets of Central Florida Foundation, Inc. (the “Foundation”) at September 30, 2016 and 2015, consists of the estimated fair value of assets transferred in prior years by the Center to the Foundation for which the Center designated itself as the beneficiary. The Center granted the Foundation a variance power to modify or eliminate any restriction, limitation, or condition on the distribution of funds. The Center has historically received a distribution each year representing a portion of the investment income on these funds. The Center received \$1,676 and \$1,729, respectively, in distributions for the years ended September 30, 2016 and 2015.

**Health Care Center for the Homeless, Inc.**  
**Notes to Financial Statements**  
**September 30, 2016 and 2015**

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**7. NOTES PAYABLE**

Notes payable at September 30, 2016 and 2015, consist of the following:

	<b>2016</b>	<b>2015</b>
Vehicle loan, collateralized by business assets, payable in monthly installments of \$282 including interest at 3.5%, matures in May 2017.	\$ 2,227	\$ 5,471
Vehicle loan, collateralized by business assets, payable in monthly installments of \$354 including interest at 6.030%, matures in September 2019.	11,238	15,000
	<u>13,465</u>	<u>20,471</u>
Less current maturities	<u>(5,880)</u>	<u>(6,684)</u>
	<u>\$ 7,585</u>	<u>\$ 13,787</u>

Interest expense for the years ended September 30, 2016 and 2015, was \$816 and \$288, respectively.

Future maturities of notes payable at September 30, 2016, are as follows:

<b>Year Ending September 30,</b>	<b>Amount</b>
2017	\$ 5,880
2018	3,880
2019	<u>3,705</u>
	<u>\$ 13,465</u>

The Center has a \$300,000 revolving bank line of credit which matures April 5, 2017. The line of credit is unsecured and bears interest at prime rate, and is reviewed annually for renewal. No balance on this line of credit was outstanding at September 30, 2016 and 2015.

**8. IN-KIND CONTRIBUTIONS**

Support and program service expenses contain in-kind contributions for the years ended September 30, 2016 and 2015, as follows:

	<b>2016</b>	<b>2015</b>
Free use of premises for tuberculosis shelter	\$ 20,000	\$ 20,000
Dispensary	1,030,074	1,337,509
Lab fees	149,393	161,452
Supplies	<u>-</u>	<u>1,350</u>
	<u>\$ 1,199,467</u>	<u>\$ 1,520,311</u>

**Health Care Center for the Homeless, Inc.**  
**Notes to Financial Statements**  
**September 30, 2016 and 2015**

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**9. RELATED PARTIES**

The Center is a member of Health Choice Network of Florida, Inc. (“HCNFL”), an association for federally qualified health centers, which provides substantial support services to the Center’s operations in terms of information technology, finance, electronic health records, managed care, and other clinical services. The amounts paid to HCNFL for this support was \$467,995 and \$293,139 for the years ended September 30, 2016 and 2015, respectively. As of September 30, 2016, there was no amount due to HCNFL. As of September 30, 2015, there was \$37,879 due to HCNFL.

**10. LEASES**

The Center has a lease agreement for a facility in Kissimmee to conduct medical services. The lease expires in February 2020 and is classified as an operating lease. Rent expense for the years ended September 30, 2016 and 2015, was \$16,500 and \$18,000, respectively.

The Center has several short term lease agreements for equipment and facility usage. The total amount of lease expense for the years ended September 30, 2016 and 2015, was \$93,000 and \$91,000, respectively.

In September 2013, the Center entered into a capital lease agreement. Equipment under the capital lease consists of a phone system with a capitalized cost of \$65,483. As of September 30, 2016 and 2015, accumulated depreciation in the statements of financial position included \$39,290 and \$26,194 relating to the equipment under capital lease. For the years ended September 30, 2016 and 2015, depreciation expense reported in the statements of activities was \$13,096 and \$13,097, respectively.

The following is a summary of future minimum payments under capital and operating leases that have initial or remaining noncancellable lease terms in excess of one year as of September 30, 2016:

<b>Year Ending September 30,</b>	<b>Capital Lease</b>	<b>Operating Lease</b>
2017	\$ 14,650	\$ 19,750
2018	12,390	21,000
2019	-	21,000
Thereafter	-	8,750
	<hr/>	<hr/>
Total minimum lease payments	27,040	<u>\$ 70,500</u>
Less amount representing interest	<u>1,336</u>	
Total present value of minimum payments	25,704	
Current obligations	<hr/> <u>13,670</u>	
Long-term obligations	<hr/> <u>\$ 12,034</u>	

**Health Care Center for the Homeless, Inc.**  
**Notes to Financial Statements**  
**September 30, 2016 and 2015**

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**11. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at September 30, 2016 and 2015, consist of the following:

	<b>2016</b>	<b>2015</b>
Beneficial interest in net assets of Central Florida Foundation, Inc.	\$ 21,977	\$ 21,328
Capital and medical projects	<u>115,733</u>	<u>110,573</u>
	<u>\$ 137,710</u>	<u>\$ 131,901</u>

**12. RETIREMENT PROGRAM**

The Center maintains a Simple Plan Retirement Program for substantially all employees. Employer contributions are based on a match of employee deferrals and amounted to \$110,100 and \$80,037 for the years ended September 30, 2016 and 2015, respectively.

**13. FAIR VALUE MEASUREMENTS**

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.
- Level 2 – Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability; and
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.



**Health Care Center for the Homeless, Inc.**  
**Notes to Financial Statements**  
**September 30, 2016 and 2015**

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The following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodology used at September 30, 2016 and 2015.

*Beneficial Interest in Net Assets of Central Florida Foundation, Inc.:* Valued at fair value provided by the Foundation based on the fair value of underlying investments, and adjusted for the Center's percentage in that value.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Center believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following investment is reported at fair value in the accompanying statements of financial position using Level 3 inputs as of September 30, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Level 3 – Beneficial interest in net assets of Central Florida Foundation, Inc.	<u>\$ 21,977</u>	<u>\$ 21,328</u>

There were no Level 1 or Level 2 investments at September 30, 2016 and 2015.

The following table sets forth a summary of changes in the fair value of the Center's Level 3 assets for the years ended September 30, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Balance, beginning of year	\$ 21,328	\$ 22,915
Interest and dividends	206	179
Realized and unrealized gains (losses) on investments	1,460	(717)
Grants	(827)	(853)
Investment expenses	<u>(190)</u>	<u>(196)</u>
Balance, end of year	<u>\$ 21,977</u>	<u>\$ 21,328</u>

**14. CONCENTRATIONS AND CONTINGENCIES**

The Center received a substantial portion of its support from three funding sources. The three funding sources accounted for 51%, 13%, and 10% of support for the year ended September 30, 2016. These same funding sources accounted for 48%, 21%, and 12% of support for the year ended September 30, 2015. A significant reduction in the level of this support may have an effect on the Center's programs and activities.

Costs reflected in the financial statements relating to government and public-funded programs are subject to audit by the funding agency. The possible disallowance of any item charged to a program has not been determined, if any. No provision for any liability that may result has been made in the financial statements.

**Litigation**

In the ordinary course of business, the Center may be subject to litigation claims including patient and employee claims. Patients and employees are generally covered by the Center's insurance carrier, subject to deductibles, and the Center does not believe any such claims will have a material adverse effect on the Center's operations.

**15. SUBSEQUENT EVENTS**

The Center is in the early stages of building another medical facility in Orlando. This facility is estimated to cost approximately \$3.5 million. During the year ended September 30, 2016, the Center acquired a plot of land for this project. The construction in process, including land acquisition, at September 30, 2016, amounted to \$312,041. In October 2016, the Center received a grant from the City of Orlando for \$575,000 to be used for the project. In November 2016, the Center acquired a second plot of land adjacent to the first, utilizing the aforementioned City of Orlando Grant.

In November 2016, the Center was awarded \$1.7 million in renewal funding which will support case managers and specialists for the Housing First Program.



Health Care Center for the Homeless ®  
"One Community, One Health Center"

**SUPPLEMENTARY INFORMATION**

**Health Care Center for the Homeless, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2016**

<u>Programs</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Grant Expenditures</u>
U.S. Department of Housing and Urban Development Community Development Block Grant ("CDBG") Received from Orange County, Florida	14.219	None	<u>\$ 60,000</u>
Total for CDBG			<u>60,000</u>
Supportive Housing Program ("SHP") Received from Homeless Services Network of Central Florida, Inc.	14.235	FL0095L4H071407	78,340
Received from Homeless Services Network of Central Florida, Inc.	14.235	FL0095L4H071508	42,078
Received from Homeless Services Network of Central Florida, Inc.	14.235	FL0471L4H071301	12,554
Received from Homeless Services Network of Central Florida, Inc.	14.235	FL0471L4H071402	<u>22,649</u>
Total for SHP			<u>155,621</u>
Total for U.S. Department of Housing and Urban Development			<u>215,621</u>
U.S. Department of Veteran Affairs Supportive Services for Veteran Families ("SSVF") Received from Homeless Services Network of Central Florida, Inc.	64.033	14FL-23	<u>100,624</u>
U.S. Department of Health and Human Services Consolidated Health Centers	93.224	H80CS00240	4,579,377
HIV Testing Program Received from the State of Florida Department of Health	93.940	OA-189	<u>70,750</u>
Total for U.S. Department of Health and Human Services			<u>4,650,127</u>
Total federal awards			<u>\$ 4,966,372</u>

See Independent Auditors' Report.

See Notes to Schedule of Expenditures of Federal Awards.

**Health Care Center for the Homeless, Inc.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2016**

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Center under programs of the federal government for the year ended September 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Center.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**3. INDIRECT COST RATE**

The Center does not have a federally negotiated indirect cost rate and has not elected to use the 10 percent de minimis cost rate.

**4. SUBRECIPIENTS**

The Center does not provide federal funds to subrecipients.

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

To the Board of Directors  
Health Care Center for the Homeless, Inc.  
Orlando, Florida

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 Health Care Center for the Homeless, Inc. (the "Center") (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 27, 2017.

### 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 Center'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 Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*WithumSmith+Brown, PC*

March 27, 2017

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

To the Board of Directors  
Health Care Center for the Homeless, Inc.  
Orlando, Florida

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

We have audited Health Care Center for the Homeless, Inc.'s (the "Center") (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended September 30, 2016. The Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditors' 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 September 30, 2016.



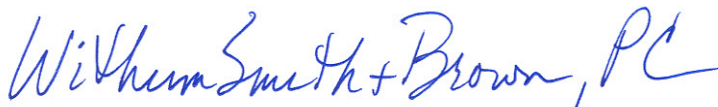
## Report on Internal Control Over Compliance

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



March 27, 2017

**Health Care Center for the Homeless, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2016**

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**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

1. Financial Statements

- a. Type of auditors’ report issued Unmodified
- b. Internal control over financial reporting
- 1) Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- 2) Significant deficiencies identified not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported
- c. Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

2. Federal Awards Programs

- a. Internal control over major programs
- 1) Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- 2) Significant deficiencies identified not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported
- b. Type of auditors’ report issued on compliance for major programs Unmodified
- c. Any audit findings disclosed that are required to be reported under Title 2  
 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements,  
 Cost Principles, and Audit Requirements for Federal Awards* (200.516(a))?  
\_\_\_\_\_ Yes   X   No
- d. Identification of major programs
- | <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|---|
| 93.224             | Consolidated Health Centers               |
- e. Dollar threshold used to distinguish between Type A and Type B programs \$ 750,000
- f. Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**SECTION IV – PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN**

No matters were reported.