Health Care Center for the Homeless ®

"One Community, One Health Center"

HEALTH CARE CENTER FOR THE HOMELESS, INC.
Financial Statements
September 30, 2017 and 2016
With Independent Auditors' Report

withum

AUDIT TAX ADVISORY

Health Care Center for the Homeless, Inc.
September 30, 2017 and 2016

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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, 2017 and 2016, 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.

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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, 2017 and 2016, 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 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 and state projects is presented for purposes of additional analysis, as required by 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,* and Chapter 10.650, Rules of the Florida Auditor General, 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 audits 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 and state projects 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 14, 2018, 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 solely 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 the effectiveness of the Center's 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.

WithumSmith+Brown, PC

March 14, 2018

Health Care Center for the Homeless, Inc.
Statements of Financial Position
September 30, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	$ 1,498,472	$ 2,324,611
Patient services receivable, net allowance for contractual adjustments and uncollectible accounts of 2017 – $11,251 and 2016 – $82,630	541,511	215,564
Grants receivable	375,707	274,982
Prepaid expenses	300,298	238,794
Total current assets	2,715,988	3,053,951
Property and equipment, net	3,577,848	2,898,593
Beneficial interest in net assets of Central Florida Foundation, Inc.	23,749	21,977
Investments in limited liability companies	10,000	10,000
Other	21,167	9,321
Total assets	$ 6,348,752	$ 5,993,842
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 367,118	$ 191,903
Accrued compensation	530,735	459,527
Other accrued expenses	36,986	23,275
Notes payable, current maturities	3,880	5,880
Current obligation under capital lease	11,724	13,670
Current maturities of deferred support	419,596	335,924
Total current liabilities	1,370,039	1,030,179
Notes payable, less current maturities	4,027	7,585
Obligation under capital lease, noncurrent	-	12,034
Deferred support, less current maturities	495,125	672,311
Total liabilities	1,869,191	1,722,109
Net assets		
Unrestricted	4,340,603	4,134,023
Temporarily restricted	138,958	137,710
Total net assets	4,479,561	4,271,733
Total liabilities and net assets	$ 6,348,752	$ 5,993,842

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, 2017 and 2016

	Year Ended September 30, 2017			Year Ended September 30, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support, revenue and gains						
Support						
Government grants	$ -	$ 7,710,924	$ 7,710,924	$ -	$ 6,645,962	$ 6,645,962
Private support	421,408	973,035	1,394,443	404,546	634,430	1,038,976
In-kind contributions	1,250,335	-	1,250,335	1,199,467	-	1,199,467
Revenue, net of provision for contractual adjustments and bad debts for 2017 and 2016 of $606,738 and $727,119	2,864,208	-	2,864,208	2,540,786	-	2,540,786
Net assets released from restrictions						
Satisfaction of purpose restrictions	8,682,711	(8,682,711)	-	7,274,583	(7,274,583)	-
Other activities						
Gain from sale of limited liability company membership units	-	-	-	12,284	-	12,284
Total support and revenue	13,218,662	1,248	13,219,910	11,431,666	5,809	11,437,475
Expenses						
Program services						
Medical clinics	10,092,649	-	10,092,649	8,906,858	-	8,906,858
Tuberculosis shelter	121,234	-	121,234	128,452	-	128,452
Housing Services	1,055,742	-	1,055,742	675,979	-	675,979
Supporting services						
Management and general	1,557,196	-	1,557,196	1,420,577	-	1,420,577
Fundraising	185,261	-	185,261	152,469	-	152,469
Total expenses	13,012,082	-	13,012,082	11,284,335	-	11,284,335
Increase (decrease) in net assets	206,580	1,248	207,828	147,331	5,809	153,140
Net assets						
Beginning of year	4,134,023	137,710	4,271,733	3,986,692	131,901	4,118,593
End of year	$ 4,340,603	$ 138,958	$ 4,479,561	$ 4,134,023	$ 137,710	$ 4,271,733

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, 2017 and 2016

Year Ended September 30, 2017

	Program Services			Supporting Services		
	Medical Clinics	Tuberculosis Shelter	Housing Services	Management and General	Fundraising	Total
Accounting	$ 2,331	$ -	$ -	$ 67,838	$ -	$ 70,169
Advertising	147	-	-	13,892	-	14,039
Bank charges	15,117	-	-	7,874	2,588	25,579
Computer and data processing	290,281	-	7,618	81,012	4,879	383,790
Conferences and training	21,728	-	3,125	19,318	875	45,046
Contracted services	103,188	-	8,906	53,338	43	165,475
Depreciation and amortization	186,729	3,721	-	167,364	450	358,264
Direct assistance	7,554	-	191,166	-	-	198,720
Dispensary	1,246,599	-	-	-	-	1,246,599
Dues and subscriptions	47,020	-	649	36,507	4,841	89,017
Insurance	91,159	1,604	25,360	56,320	2,189	176,632
Interest	136	-	-	455	-	591
Lab fees	496,312	-	-	200	-	496,512
Lease	94,570	20,000	28,014	3,412	-	145,996
Maintenance and repairs	360,633	9,892	15,935	37,094	743	424,297
Mammogram program	32,110	-	-	-	-	32,110
Miscellaneous	18,572	-	2,459	19,600	1,542	42,173
Personnel	6,421,470	76,354	737,974	880,770	146,285	8,262,853
Postage	-	-	210	4,309	4,026	8,545
Supplies	472,045	-	950	37,397	15,113	525,505
Taxes and licenses	21,569	123	-	1,665	-	23,357
Telephone	81,925	3,187	8,964	19,609	745	114,430
Travel	49,513	358	21,143	33,875	632	105,521
Utilities	31,941	5,995	3,269	15,347	310	56,862
	$ 10,092,649	$ 121,234	$ 1,055,742	$ 1,557,196	$ 185,261	$ 13,012,082

Year Ended September 30, 2016

	Program Services			Supporting Services		
	Medical Clinics	Tuberculosis Shelter	Housing Services	Management and General	Fundraising	Total
Accounting	$ -	$ -	$ -	$ 41,636	$ -	$ 41,636
Advertising	628	-	-	20,123	-	20,751
Bank charges	13,416	-	-	5,154	-	18,570
Computer and data processing	231,452	530	14,665	80,025	1,324	327,996
Conferences and training	21,626	-	9,210	4,731	2,768	38,335
Contracted services	211,090	10	691	28,368	554	240,713
Depreciation and amortization	118,869	26,511	-	165,454	476	311,310
Direct assistance	25,484	-	127,035	-	-	152,519
Dispensary	1,191,789	-	-	-	-	1,191,789
Dues and subscriptions	24,748	23	447	23,921	3,235	52,374
Insurance	92,429	7,843	12,662	11,933	1,963	126,830
Interest	813	-	-	3	-	816
Lab fees	451,545	-	-	-	-	451,545
Lease	62,517	20,000	27,500	2,983	-	113,000
Maintenance and repairs	244,836	2,318	3,371	33,094	464	284,083
Mammogram program	28,013	262	-	-	-	28,275
Miscellaneous	19,613	290	642	16,889	1,083	38,517
Personnel	5,512,616	63,787	447,977	883,573	120,211	7,028,164
Postage	3,125	-	-	3,995	2,650	9,770
Supplies	489,413	3,569	2,802	33,263	15,497	544,544
Taxes and licenses	15,522	-	50	1,576	54	17,202
Telephone	71,102	1,289	6,185	17,365	1,320	97,261
Travel	40,396	1,551	15,662	33,353	642	91,604
Utilities	35,816	469	7,080	13,138	228	56,731
	$ 8,906,858	$ 128,452	$ 675,979	$ 1,420,577	$ 152,469	$ 11,284,335

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, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Cash received from contributors and patients	$ 11,445,378	$ 10,387,395
Cash paid to suppliers and employees	(11,204,262)	(9,638,281)
Interest received	2,239	2,784
Interest paid	(591)	(816)
Net cash provided by operating activities	242,764	751,082
Cash flows from investing activities		
Cash paid for security deposits	(11,846)	(2,700)
Purchases of property and equipment	(1,037,519)	(519,219)
Proceeds from sale of limited liability company membership units	-	14,917
Net cash used in investing activities	(1,049,365)	(507,002)
Cash flows from financing activities		
Principal payments on notes payable	(5,558)	(6,675)
Payments on capital lease obligation	(13,980)	(13,401)
Net cash used in financing activities	(19,538)	(20,076)
Net increase (decrease) in cash and cash equivalents	(826,139)	224,004
Cash and cash equivalents		
Beginning of year	2,324,611	2,100,607
End of year	$ 1,498,472	$ 2,324,611
Reconciliation of increase in net assets to net cash provided by operating activities		
Increase in net assets	$ 207,828	$ 153,140
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	358,264	311,310
Gain on sale of limited liability company membership units	-	(12,284)
Changes in assets and liabilities		
Accounts receivable	(325,947)	(103,360)
Grants receivable	(100,725)	32,669
Prepaid expenses	(61,504)	(15,113)
Beneficial interest in net assets of Central Florida Foundation, Inc.	(1,772)	(649)
Accounts payable	175,215	(944)
Accrued compensation	71,208	138,995
Other accrued expenses	13,711	11,523
Deferred support	(93,514)	235,795
Total adjustments	34,936	597,942
Net cash provided by operating activities	$ 242,764	$ 751,082

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Health Care Center for the Homeless, Inc. (the "Center") provides quality health care and supportive housing 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.

Patient Services Receivable

Accounts receivable are stated at net realizable value. Accounts are considered past due after 30 days. Patient services receivable are reduced by an allowance for contractual adjustments and doubtful accounts. 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, 2017 and 2016.

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

Description	Estimated Life (Years)
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 investments in Health Choice Care, LLC and Prestige MSO Holdco, LLC are 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, 2017 and 2016.

Advertising
Advertising costs are expensed as incurred. Advertising expenses were $14,039 and $20,751 for the years ended September 30, 2017 and 2016, respectively.

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, 2017.

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 14, 2018, 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, 2017, 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, 2017 and 2016, consisted of government grants totaling $375,707 and $ 274,982, respectively, and are expected to mature within one year.

Deferred support at September 30, 2017 and 2016, consists of the following:

	2017	2016
Other support that should be recognized within one year.	$ 419,596	$ 335,924
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
Grant contract for purchase of equipment to be acquired subsequent to September 2018.	495,125	495,125
	914,721	1,008,235
Less current portion	(419,596)	(335,924)
	$ 495,125	$ 672,311

4. PROPERTY AND EQUIPMENT

A summary of property and equipment at September 30, 2017 and 2016, is as follows:

	2017	2016
Land and building	$ 3,024,429	$ 3,024,429
Leasehold improvements	260,063	260,063
Equipment	1,967,032	1,650,828
Vehicles	709,975	709,975
Furniture and fixtures	124,674	104,510
Construction in progress	1,013,192	312,041
	7,099,365	6,061,846
Less accumulated depreciation	3,521,517	3,163,253
	$ 3,577,848	$ 2,898,593

Depreciation expense was $358,264 and $311,310 for the years ended September 30, 2017 and 2016, respectively.

5. INVESTMENTS IN LIMITED LIABILITY COMPANIES

The Center has a .26% ownership interest in Health Choice Care, LLC ("HCC") at September 30, 2017 and 2016. HCC was formed to own, maintain, manage, and operate an Accountable Care Organization. At September 30, 2017 and 2016, 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"). 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, 2017 and 2016, 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 $1,697 and $1,676, respectively, in distributions for the years ended September 30, 2017 and 2016.

7. NOTES PAYABLE

Notes payable at September 30, 2017 and 2016, consist of the following:

	2017	2016
Vehicle loan, collateralized by business assets, payable in monthly installments of $282 including interest at 3.5%, matured in May 2017.	$ -	$ 2,227
Vehicle loan, collateralized by business assets, payable in monthly installments of $354 including interest at 6.030%, matures in September 2019.	7,907	11,238
	7,907	13,465
Less current maturities	(3,880)	(5,880)
	$ 4,027	$ 7,585

Interest expense for the years ended September 30, 2017 and 2016, was $591 and $816 respectively.

Future maturities of notes payable at September 30, 2017, are as follows:

Year Ending September 30,	Amount
2018	$ 3,880
2019	4,027
	$ 7,907

The Center has a $300,000 revolving bank line of credit which matures April 5, 2018. 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, 2017 and 2016.

8. IN-KIND CONTRIBUTIONS

Support and program service expenses contain in-kind contributions for the years ended September 30, 2017 and 2016, as follows:

	2017	2016
Free use of premises for tuberculosis shelter	$ 20,000	$ 20,000
Dispensary	1,065,407	1,030,074
Lab fees	164,928	149,393
	$ 1,250,335	$ 1,199,467

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 $539,221 and $467,995 for the years ended September 30, 2017 and 2016, respectively. As of September 30, 2017, there was $54,628 amount due to HCNFL. As of September 30, 2016, there was no amount 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, 2017 and 2016, was $17,250 and $16,500, 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, 2017 and 2016, was approximately $126,000 and $93,000, 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, 2017 and 2016, accumulated depreciation in the statements of financial position included $52,387 and $39,290 relating to the equipment under capital lease. For the years ended September 30, 2017 and 2016, depreciation expense reported in the statements of activities was $13,097 and $13,096, 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, 2017:

Year Ending September 30,	**Capital Lease**	**Operating Lease**
2018	$ 12,075	$ 21,000
2019	-	21,000
2020	-	8,750
Total minimum lease payments	12,075	$ 50,750
Less amount representing interest	351	
Total present value of minimum payments	11,724	
Current obligations	11,724	
Long-term obligations	$ -	

11. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2017 and 2016, consist of the following:

	2017	2016
Beneficial interest in net assets of Central Florida Foundation, Inc.	$ 23,749	$ 21,977
Capital and medical projects	115,209	115,733
	$ 138,958	$ 137,710

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 $144,914 and $110,100 for the years ended September 30, 2017 and 2016, 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.

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, 2017 and 2016.

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, 2017 and 2016:

	2017	2016
Level 3 – Beneficial interest in net assets of Central Florida Foundation, Inc.	$ 23,749	$ 21,977

There were no Level 1 or Level 2 investments at September 30, 2017 and 2016.

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, 2017 and 2016:

	2017	2016
Balance, beginning of year	$ 21,977	$ 21,328
Contributions	49	-
Interest and dividends	299	206
Realized and unrealized gains on investments	2,505	1,460
Grants	(835)	(827)
Investment expenses	(246)	(190)
Balance, end of year	$ 23,749	$ 21,977

14. CONCENTRATIONS AND CONTINGENCIES

The Center received a substantial portion of its support from three funding sources for the year ended September 30, 2017. These three funding sources accounted for 45%, 12% and 13% of the support. During the year ended September 30, 2016, these same funding sources accounted for 51%, 13% and 10% of the support. 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 building an additional medical facility in Orlando. The facility is estimated to cost approximately $5.5 million, which includes land acquisition. In February 2018, the Center entered into a pre-development, construction term loan agreement for $2.8 million. The construction in progress, including land acquisition, at September 30, 2017, amounted to $1,013,192. The Center has received commitments of approximately $2.25 million in grants from municipalities and private donors, with contingencies. Additional funding of approximately $1.8 million will come by way of the New Markets Tax Credit 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 and State Projects
Year Ended September 30, 2017

Programs	CFDA/ CFSA Number	Contract Number	Grant Expenditures
U.S. Department of Housing and Urban Development			
Community Development Block Grant ("CDBG")			
Received from Orange County, Florida	14.218	2016-9-10	$ 43,000
Total for CDBG			43,000
Supportive Housing Program ("SHP")			
Received from Homeless Services Network of Central Florida, Inc.	14.235	FL0561L4H071500	150,557
Received from Homeless Services Network of Central Florida, Inc.	14.235	FL0471L4H071402	15,072
Received from Homeless Services Network of Central Florida, Inc.	14.235	FL0471L4H071503	34,334
Total for SHP			199,963
Total for U.S. Department of Housing and Urban Development			242,963
U.S. Department of Veteran Affairs			
Supportive Services for Veteran Families ("SSVF")			
Received from Homeless Services Network of Central Florida, Inc.	64.033	15FL-23	221,912
U.S. Department of Health and Human Services			
Consolidated Health Centers	93.224	H80CS00240	4,670,197
HIV Testing Program			
Received from the State of Florida Department of Health	93.940	OA-189	73,100
Total for U.S. Department of Health and Human Services			4,743,297
Total federal awards			$ 5,208,172
State of Florida Projects			
Agency for Health Care Administration ("AHCA")	68.012	GFA046	$ 825,696

See Independent Auditors' Report.

See Notes to Schedule of Expenditures of Federal Awards and State Projects.

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, 2017. 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. RECEIVABLE FROM DEPARTMENT OF HEALTH AND HUMAN SERVICES

The Center submits requests for reimbursement to the Department of Health and Human Services on a periodic basis. At September 30, 2017, $17,410 was outstanding from the Department of Health and Human Services.

5. SUBRECIPIENTS

The Center does not provide federal funds to subrecipients.

See Independent Auditors' Report.

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, 2017, 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 14, 2018.

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 14, 2018

withum AUDIT TAX ADVISORY

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.650, RULES OF THE FLORIDA AUDITOR GENERAL

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

Report on Compliance for Each Major Federal Program and State Projects

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,* and the requirements described in the *Florida Department of Financial Services'* State Projects Compliance Supplement, that could have a direct and material effect on each of the Center's major federal programs and state projects for the year ended September 30, 2017. The Center's major federal programs and state projects 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 and state statutes, regulations, and the terms and conditions of its federal awards and state projects applicable to its federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs and state projects 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"); and Chapter 10.650, Rules of the Florida Auditor General. Those standards, the Uniform Guidance, and Chapter 10.650, Rules of the Florida Auditor General, 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 and state projects 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 and state project. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on Each Major Federal Program and State Project

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 and state projects for the year ended September 30, 2017.

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 and state project 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 state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, Rules of The Florida Auditor General, 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 or state project 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 or state project 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 or state project 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 and Chapter 10.650, Rules of the Florida Auditor General. Accordingly, this report is not suitable for any other purpose.

WithumSmith+Brown, PC

March 14, 2018

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiencies identified?	____ Yes	X None reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards Programs and State Projects

Internal control over major programs:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiencies identified?	____ Yes	X None reported
Type of auditors' report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a) or Chapter (10.656 for nonprofit organizations)?	____ Yes	X No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
93.224	Consolidated Health Centers

CFSA Number	Name of State Project
68.012	Agency for Health Care Administration ("AHCA") Community and Primary Care Services

Dollar threshold used to distinguish between Type A and Type B programs	$ 750,000	
Dollar thresold used to distinguish between Type A and Type B programs – State Programs:	$ 247,700	
Auditee qualified as low-risk auditee?	X Yes	____ No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD PROGRAMS AND STATE PROJECTS FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV – MANAGEMENT LETTER

No management letter is required under Rule 10.656(3)(e), Rules of the Florida Auditor General

SECTION V – PRIOR YEAR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN

No matters were reported.

See Independent Auditors' Report.