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

HEALTH CARE CENTER FOR THE HOMELESS, INC.
Consolidated Financial Statements
September 30, 2018 and 2017
With Independent Auditors' Report

withum
ADVISORY TAX AUDIT

Health Care Center for the Homeless, Inc.
September 30, 2018 and 2017

TABLE OF CONTENTS

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 consolidated financial statements of Health Care Center for the Homeless, Inc. (the "Center") (a nonprofit organization), which comprise the consolidated statements of financial position as of September 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Center as of September 30, 2018 and 2017, and the changes in their net assets and their 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 consolidated financial statements taken as a whole. The supplemental financial information, Consolidating Statement of Financial Position and Consolidating Statement of Activities, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 May 22, 2019, 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

May 22, 2019

Health Care Center for the Homeless, Inc.
Consolidated Statements of Financial Position
September 30, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 804,610	$ 1,498,472
Patient services receivable, net allowance for contractual adjustments and uncollectible accounts of 2018 – $404,822 and 2017 – $11,251	521,100	541,511
Grants receivable	367,917	375,707
Prepaid expenses	207,963	300,298
Total current assets	1,901,590	2,715,988
Receivable for Ivey Lane Community Health Care Center project	3,887,530	-
Assets limited as to use		
Interest reserve account	38,347	-
Expense reserve account	3,551,919	-
Total assets limited as to use	3,590,266	-
Property and equipment, net	4,847,496	4,152,848
Beneficial interest in net assets of Central Florida Foundation, Inc.	24,443	23,749
Investments in limited liability companies	10,000	10,000
Other	46,166	21,166
Total assets	$ 14,307,491	$ 6,923,751
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 437,044	$ 404,103
Construction contract payable	371,296	-
Accrued compensation	451,961	530,735
Line of credit	260,000	-
Current maturities of long-term debt	1,579,382	3,880
Current obligation under capital lease	-	11,724
Current maturities of deferred support	213,377	419,596
Total current liabilities	3,313,060	1,370,038
Long-term debt, less current maturities	6,281,278	4,027
Deferred support, less current maturities	575,000	1,070,125
Total liabilities	10,169,338	2,444,190
Net assets		
Unrestricted	3,995,633	4,340,603
Temporarily restricted	142,520	138,958
Total net assets	4,138,153	4,479,561
Total liabilities and net assets	$ 14,307,491	$ 6,923,751

Health Care Center for the Homeless, Inc.
Consolidated Statements of Activities
Years Ended September 30, 2018 and 2017

	Year Ended September 30, 2018			Year Ended September 30, 2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support, revenue and gains						
Support						
Government grants	$ -	$ 7,220,045	$ 7,220,045	$ -	$ 7,710,924	$ 7,710,924
Private support	659,503	1,621,165	2,280,668	421,408	973,035	1,394,443
In-kind contributions	1,827,766	-	1,827,766	1,250,335	-	1,250,335
Revenue, net of provision for contractual adjustments and bad debts for 2018 and 2017 of $8,627,955 and $6,301,139	2,551,266	-	2,551,266	2,861,969	-	2,861,969
Net assets released from restrictions						
Satisfaction of purpose restrictions	8,837,648	(8,837,648)	-	8,682,711	(8,682,711)	-
Other activities						
Interest income	1,042	-	1,042	2,239	-	2,239
Total support and revenue	13,877,225	3,562	13,880,787	13,218,662	1,248	13,219,910
Expenses						
Program services						
Medical clinics	10,975,257	-	10,975,257	10,092,649	-	10,092,649
Tuberculosis shelter	132,627	-	132,627	121,234	-	121,234
Housing Services	1,891,595	-	1,891,595	1,055,742	-	1,055,742
Supporting services						
Management and general	1,091,277	-	1,091,277	1,557,196	-	1,557,196
Fundraising	131,439	-	131,439	185,261	-	185,261
Total expenses	14,222,195	-	14,222,195	13,012,082	-	13,012,082
Increase (decrease) in net assets	(344,970)	3,562	(341,408)	206,580	1,248	207,828
Net assets						
Beginning of year	4,340,603	138,958	4,479,561	4,134,023	137,710	4,271,733
End of year	$ 3,995,633	$ 142,520	$ 4,138,153	$ 4,340,603	$ 138,958	$ 4,479,561

Health Care Center for the Homeless, Inc.
Consolidated Statements of Functional Expenses
Years Ended September 30, 2018 and 2017

	Year Ended September 30, 2018						Year Ended September 30, 2017					
	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 and legal	$ -	$ -	$ -	$ 45,425	$ -	$ 45,425	$ 2,331	$ -	$ -	$ 67,838	$ -	$ 70,169
Advertising	809	-	-	19,727	-	20,536	147	-	-	13,892	-	14,039
Bank charges	21,253	-	-	4,552	164	25,969	15,117	-	-	7,874	2,588	25,579
Computer and data processing	438,804	3,615	15,873	2,049	5,693	466,034	290,281	-	7,618	81,012	4,879	383,790
Conferences and training	23,187	-	2,423	2,578	239	28,427	21,728	-	3,125	19,318	875	45,046
Contracted services	210,779	-	-	22,055	-	232,834	103,188	-	8,906	53,338	43	165,475
Depreciation and amortization	381,315	3,721	11,180	19,016	53	415,285	186,729	3,721	-	167,364	450	358,264
Direct assistance	13,897	-	212,985	1,200	-	228,082	7,554	-	191,166	-	-	198,720
Dispensary	1,859,964	-	-	1,150	-	1,861,114	1,246,599	-	-	-	-	1,246,599
Dues and subscriptions	39,488	-	-	54,437	1,315	95,240	47,020	-	649	36,507	4,841	89,017
Insurance	214,753	-	-	-	-	214,753	91,159	1,604	25,360	56,320	2,189	176,632
Interest	-	-	785	7,638	-	8,423	136	-	-	455	-	591
Lab fees	483,405	1,430	-	-	-	484,835	496,312	-	-	200	-	496,512
Lease	84,023	20,000	39,000	2,886	-	145,909	94,570	20,000	28,014	3,412	-	145,996
Maintenance and repairs	365,876	23,616	23,411	16,561	483	429,947	360,633	9,892	15,935	37,094	743	424,297
Mammogram program	25,480	-	-	-	-	25,480	32,110	-	-	-	-	32,110
Miscellaneous	15,481	1,088	5,453	66,826	27,831	116,679	18,572	-	2,459	19,600	1,542	42,173
Personnel	6,153,045	64,004	1,506,729	731,287	74,794	8,529,859	6,421,470	76,354	737,974	880,770	146,285	8,262,853
Postage	4,093	-	4	2,337	1,742	8,176	-	-	210	4,309	4,026	8,545
Supplies	449,482	708	3,289	43,820	17,976	515,275	472,045	-	950	37,397	15,113	525,505
Taxes and licenses	14,387	180	220	2,033	-	16,820	21,569	123	-	1,665	-	23,357
Telephone	77,438	7,621	10,823	19,229	439	115,550	81,925	3,187	8,964	19,609	745	114,430
Travel	45,548	-	47,487	20,999	290	114,324	49,513	358	21,143	33,875	632	105,521
Utilities	52,750	6,644	11,933	5,472	420	77,219	31,941	5,995	3,269	15,347	310	56,862
	$ 10,975,257	$ 132,627	$ 1,891,595	$ 1,091,277	$ 131,439	$ 14,222,195	$ 10,092,649	$ 121,234	$ 1,055,742	$ 1,557,196	$ 185,261	$ 13,012,082

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

	2018	2017
Cash flows from operating activities		
Cash received from contributors and patients	$ 11,378,142	$ 11,445,378
Cash paid to suppliers and employees	(11,949,218)	(11,204,262)
Interest received	1,042	2,239
Interest paid	(8,423)	(591)
Net cash (used in) provided by operating activities	(578,457)	242,764
Cash flows from investing activities		
Net change in assets limited as to use	(3,590,266)	-
Cash paid for security deposits	-	(11,846)
Purchases of property and equipment	(738,638)	(1,037,519)
Cash paid for Ivey Lane Community Health Care Center project	(3,887,530)	-
Net cash used in investing activities	(8,216,434)	(1,049,365)
Cash flows from financing activities		
Proceeds from line of credit	260,000	-
Principal payments on long-term debt	(3,525)	(5,558)
Payments on capital lease obligation	(11,724)	(13,980)
Proceeds from note payable with Florida Community Loan Fund, Inc.	2,200,000	-
Proceeds from notes payable with FCNMF 25, LLC	5,947,500	-
Loan costs paid	(291,222)	-
Net cash provided by (used in) financing activities	8,101,029	(19,538)
Net decrease in cash and cash equivalents	(693,862)	(826,139)
Cash and cash equivalents		
Beginning of year	1,498,472	2,324,611
End of year	$ 804,610	$ 1,498,472

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

	2018	2017
Reconciliation of (decrease) increase in net assets to net cash (used in) provided by operating activities		
(Decrease) increase in net assets	$ (341,408)	$ 207,828
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities		
Depreciation	415,286	358,264
Changes in assets and liabilities		
Patient services receivable	20,411	(325,947)
Grants receivable	7,790	(100,725)
Prepaid expenses	92,335	(61,504)
Beneficial interest in net assets of Central Florida Foundation, Inc.	(694)	(1,772)
Other assets	(25,000)	-
Accounts payable and accrued expense	32,941	188,926
Accrued compensation	(78,774)	71,208
Deferred support	(701,344)	(93,514)
Total adjustments	(237,049)	34,936
Net cash (used in) provided by operating activities	$ (578,457)	$ 242,764

Noncash investing and financing activities

Capital expenditures financed with accounts payable at September 30, 2018 amounted to $371,296.

During year ended September 30, 2017, land in the amount of $575,000 was acquired through a grant. The grantor paid the seller directly.

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.

In April 2018, HCCH Holdings, Inc. ("Holdings") was formed by Health Care Center for the Homeless, Inc. ("HCCH") in order to facilitate the construction of a new 12,000 square foot facility located at 4426 Old Winter Garden Road, Orlando Florida that is scheduled to open in 2019 that will serve as a clinical operation. Holdings is controlled by HCCH through a common board. The new facility is expected to cost approximately $6.2 million. Financing for the facility will be made possible with a New Market Tax Credit allocation from FCNMF 25, LLC ("FCNMF") and Florida Community Loan Fund, Inc., a permanent approximately $5.8 million loan from FCNMF, and approximately $1.8 million in conditional promises to give (see Notes 8 and 9). The closing of the facility and related financing occurred on June 28, 2018.

Consolidation

In conformity with accounting principles generally accepted in the United States of America, the Center's financial statements are consolidated with Holdings, a Florida corporation, incorporated for the exclusive benefit of Health Care Center for the Homeless, Inc. As noted above, Holdings is controlled by HCCH. All intercompany transactions and balances have been eliminated.

Use of Estimates

In preparing the consolidated 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 consolidated 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 designated 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.

Assets Limited as to Use

Assets limited as to use include funds in restricted bank accounts reserved for the Ivey Lane Community Health Center construction project. The funds are deposited as cash and cash equivalents and are recorded at cost, which approximates fair value.

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, 2018 and 2017.

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.

Debt Issuance Costs

Debt issuance costs are presented in the balance sheets as a direct deduction from the carrying amount of the related debt liability. Direct fees and costs incurred to obtain long-term financing are being amortized over the term of the respective loan on a straight-line basis, which approximates the effective interest method.

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, 2018 and 2017.

Functional Expenses
The cost of providing the various services and other activities has been summarized on a functional basis in the statements of functional expenses. Expenses directly attributable to a specific program of the Center are reported as expenses of those functional areas. A portion of general and administrative costs that benefit multiple functional areas have been allocated across Program and Supporting Services based on the proportion of payroll related to the program or other supporting service versus the total organizational payroll.

Advertising
Advertising costs are expensed as incurred. Advertising expenses were $20,536 and $14,039 for the years ended September 30, 2018 and 2017, respectively.

Income Taxes
HCCH 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. Holdings is a separate taxable entity in the United States.

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 both HCCH and Holdings in their respective tax returns. HCCH'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 both HCCH and Holdings in their 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 either HCCH or Holdings have any material uncertain tax positions at September 30, 2018.

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.

Significant Accounting Pronouncements

In 2016, the FASB issued Accounting Standards Update ASU 2016-14 – Not-for-profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit's liquidity, financial performance, and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and the recognition of underwater endowment funds as a reduction in net assets with donor restrictions. This guidance also enhances disclosures for board-designated endowments, composition of net assets without donor restrictions, liquidity, and presentation of expenses by both their natural and functional classification. This standard is effective for fiscal years starting after December 15, 2017.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 "Revenue from Contracts with Customers (Topic 606)", which supersedes all existing revenue recognition requirements, including most industry-specific guidance. Together with subsequent amendments, this created Accounting Standards Codification Topic 606 ("ASC 606"). ASC 606 requires an entity to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the entity expects to receive for those goods or services. ASC 606 also expands disclosure requirements. ASC 606 will be effective for the Center beginning January 1, 2019. ASC 606 will be effective for non-public entities for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. ASC 606 allows for either "full retrospective" adoption, meaning the standard is applied to all of the periods presented, or "modified retrospective" adoption, meaning the standard is applied only to the most current period presented in the financial statements. The Center is currently evaluating the impact of adoption of ASC 606. At this time, management believes that ASC 606 will not have a material impact on its financial statements because existing contractual performance obligations, which determine when and how revenue is recognized, are not materially changed under ASC 606.

Reclassification

Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported changes in net assets.

Subsequent Events

The Center has evaluated subsequent events through May 22, 2019, the date which the consolidated financial statements were available to be issued. The Center's management has determined that no subsequent events have occurred which require adjustment to or disclosure in the consolidated financial statements.

2. CASH AND CASH EQUIVALENTS

As of September 30, 2018, the Center had demand accounts in six 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, 2018 and 2017, consisted of government grants totaling $367,917 and $375,707, respectively, and are expected to mature within one year.

Deferred support at September 30, 2018 and 2017, consists of the following:

	2018	2017
Other support that should be recognized within one year.	$ 213,377	$ 419,596
Grant contract for land acquisition requiring the Ivey Lane Community Health Care Center project be completed by November 2021, condition expected to be fulfilled prior to November 2021, contract creates a collateral interest to the grantor in the property for the duration of the condition	575,000	575,000
Grant contract for purchase of equipment to acquired subsequent to September 2018.	-	495,125
	788,377	1,489,721
Less current portion	(213,377)	(419,596)
	$ 575,000	$ 1,070,125

The grant contract for land acquisition was signed in November 2016. The Center did not record this acquisition during year ended September 30, 2017. It was recorded retrospectively in 2018, after the closing of the facility and related financing, which occurred on June 28, 2018. There was no effect on net assets.

In addition to grants receivable, at September 30, 2018, the Center has received promises to give in the amount of approximately $1,850,000, which are conditioned upon incurring future expenses related to the Ivey Lane Community Health Care Center project.

4. PROPERTY AND EQUIPMENT

A summary of property and equipment at September 30, 2018 and 2017, is as follows:

	2018	2017
Land and building	$ 3,599,429	$ 3,599,429
Leasehold improvements	260,063	260,063
Equipment	2,500,342	1,967,032
Vehicles	730,805	709,975
Furniture and fixtures	132,474	124,674
Construction in progress	1,561,186	1,013,192
	8,784,299	7,674,365
Less accumulated depreciation	3,936,803	3,521,517
	$ 4,847,496	$ 4,152,848

Depreciation expense was $415,286 and $358,264 for the years ended September 30, 2018 and 2017, respectively.

5. INVESTMENTS IN LIMITED LIABILITY COMPANIES

The Center has a .26% ownership interest in Health Choice Care, LLC (“HCC”) at September 30, 2018 and 2017. HCC was formed to own, maintain, manage, and operate an Accountable Care Organization. At September 30, 2018 and 2017, 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, 2018 and 2017, 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 $1,746 and $1,697, respectively, in distributions for the years ended September 30, 2018 and 2017.

7. LINE OF CREDIT

The Center has a $300,000 revolving line of credit (“LOC”) with a financial institution. The LOC bears interest at prime plus .75% with a floor rate of 4%. The LOC matures in September 2019. The LOC is collateralized by real property. The balance owed at September 30, 2018 and 2017, was $260,000 and zero, respectively.

8. NEW MARKET TAX CREDIT

Holdings participates in a New Market Tax Credit (NMTC) Program. NMTC programs were established as part of the Community Renewal Tax Relief Act of 2000. The program aims to revitalize low-income and impoverished communities in the United States by providing tax credit incentives to investors in certified community development projects. The tax credit for investors equals 39% of the investment, and investors receive the tax credit over a seven-year period. A community development entity (CDE) is required to participate and has the primary mission of providing financing for these projects.

9. LONG-TERM DEBT

Long-term debt at September 30, 2018 and 2017, consist of the following:

	2018	2017
HCCH		
Note payable with Florida Community Loan Fund, Inc (CDE); interest at 4% for the first 2 years, followed by a rate of 5%; principal payments during the first 24-month interest only period will be made with certain conditional grants (see Note 3) Thereafter, monthly payments of $3,382 until maturity in June 2030. Collateralized by construction in progress, a mortgage, and other assets of Holdings and HCCH and are also subject to certain financial and other covenants specified under the agreements	$ 2,200,000	$ -
Vehicle loan, collateralized by business assets, payable in monthly installments of $354 including interest at 6.030%, matures in September 2019.	4,382	7,907
Holdings		
Promissory Notes A and Note B with FCNMF 25, LLC; interest at 1.174%; interest only payments through November, 2026; annual payments of $258,310 starting December 2026; matures December 2052. Collateralized by construction in progress and other assets of Holdings and HCCH and are also subject to certain financial and other covenants specified under the agreements		
Promissory Note A	3,887,530	-
Promissory Note B	2,059,970	-
	8,151,882	7,907
Less debt issuance costs	291,222	-
Less current maturities	1,579,382	3,880
	$ 6,281,278	$ 4,027

Interest expense for the years ended September 30, 2018 and 2017, was $8,423 and $591, respectively.

Future maturities of long-term debt at September 30, 2018, are as follows:

Year Ending September 30,	Amount
2019	$ 1,579,382
2020	2,247
2021	9,223
2022	9,702
2023	10,205
Thereafter	6,541,123
	$ 8,151,882

10. IN-KIND CONTRIBUTIONS

Support and program service expenses contain in-kind contributions for the years ended September 30, 2018 and 2017, as follows:

	2018	2017
Free use of premises for tuberculosis shelter	$ 20,000	$ 20,000
Dispensary	1,691,606	1,065,407
Lab fees	116,160	164,928
	$ 1,827,766	$ 1,250,335

11. 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 $459,903 and $539,221 for the years ended September 30, 2018 and 2017, respectively. The balances owed to HCNFL as of September 30, 2018 and 2017, was $62,372 and $54,628, respectively.

12. 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, 2018 and 2017, was $21,000 and $17,500, 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, 2018 and 2017, was approximately $126,000 for both years.

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, 2018 and 2017, accumulated depreciation in the statements of financial position included $65,483 and $52,387 relating to the equipment under capital lease. For the years ended September 30, 2018 and 2017, depreciation expense reported in the statements of activities was $13,096 and $13,097, respectively. The lease obligation was paid in full during the year ended September 30, 2018.

The following is a summary of future minimum payments under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of September 30, 2018:

Year Ending September 30,	Operating Lease
2019	$ 21,000
2020	8,750
	$ 29,750

13. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2018 and 2017, consist of the following:

	2018	2017
Beneficial interest in net assets of Central Florida Foundation, Inc.	$ 24,443	$ 23,749
Capital and medical projects	118,077	115,209
	$ 142,520	$ 138,958

14. 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 $61,322 and $144,914 for the years ended September 30, 2018 and 2017, respectively. Effective January 1, 2018, the Center started a defined-contribution plan as prescribed by Section 403(b) of the Internal Revenue Code. Employer contributions are based on a match of employee deferrals and amounted to $63,807 and zero for the years ended September 30, 2018 and 2017, respectively.

15. 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, 2018 and 2017

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, 2018 and 2017:

	2018	2017
Level 3 – Beneficial interest in net assets of Central Florida Foundation, Inc.	$ 24,443	$ 23,749

There were no Level 1 or Level 2 investments at September 30, 2018 and 2017.

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, 2018 and 2017:

	2018	2017
Balance, beginning of year	$ 23,749	$ 21,977
Contributions	-	49
Interest and dividends	488	299
Realized and unrealized gains on investments	1,254	2,505
Grants	(859)	(835)
Investment expenses	(189)	(246)
Balance, end of year	$ 24,443	$ 23,749

16. CONCENTRATIONS AND CONTINGENCIES

The Center received a substantial portion of its support from two funding sources for the year ended September 30, 2018. These two funding sources accounted for 37% and 16% of the support. During the year ended September 30, 2017, three funding sources accounted for 46%, 12% and 13% 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 consolidated 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 consolidated 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.

Compliance

Compliance with laws and regulations governing the Medicare and Medicaid programs is subject to government review and interpretation, as well as significant regulatory action including fines, penalties, and possible exclusion from the Medicare and Medicaid programs. In addition, under the Medicare program, if the federal government makes a formal demand for reimbursement, even related to contested items, payment must be made for those items before the provider is given an opportunity to appeal and resolve the issue.

Exercise of Investment Fund Put and Call Agreement ("Option Agreement")

The Center has entered into an option agreement which provides Call Option with the right to purchase TNT-HCCH NMTC Fund, LLC's 99.99% equity interest in the CDE's upon the seventh anniversary date of the agreement (June 2025), the tax credit investment period. It is anticipated that this option will be exercised, at which time Call Option will assume the right to collect the CDE Loan and it will inherit the obligation of the FCNMF 25, LLC Loan (See Note 9). At that time, it is expected that all assumed loans will be forgiven.

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

SUPPLEMENTARY INFORMATION

Health Care Center for the Homeless, Inc.
Consolidating Statement of Financial Position
September 30, 2018

	HCCH	Holdings	Eliminations	TOTAL
Assets				
Current assets				
Cash and cash equivalents	$ 804,610	$ -	$ -	$ 804,610
Patient services receivable, net allowance	521,100	-	-	521,100
Grants receivable	367,917	-	-	367,917
Prepaid expenses	207,963	-	-	207,963
Total current assets	1,901,590	-	-	1,901,590
Receivable for Ivey Lane Community Health Care Center project	3,887,530	-	-	3,887,530
Assets limited as to use				
Interest reserve account	-	38,347	-	38,347
Expense reserve account	-	3,551,919	-	3,551,919
Total assets limited as to use	-	3,590,266	-	3,590,266
Property and equipment, net	3,286,309	1,561,187	-	4,847,496
Beneficial interest in net assets of Central Florida Foundation, Inc.	24,443	-	-	24,443
Investments in limited liability companies	10,000	-	-	10,000
Investment in Holdings	932,679	-	(932,679)	-
Other	46,166	-	-	46,166
Due from HCCH	-	1,464,596	(1,464,596)	-
Total assets	$ 10,088,717	$ 6,616,049	$ (2,397,275)	$ 14,307,491
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued expenses	$ 437,044	$ -	$ -	$ 437,044
Construction contract payable	371,296	-	-	371,296
Accrued compensation	451,961	-	-	451,961
Line of credit	260,000	-	-	260,000
Current maturities of long-term debt	1,579,382	-	-	1,579,382
Current maturities of deferred support	213,377	-	-	213,377
Total current liabilities	3,313,060	-	-	3,313,060
Long-term debt, less current maturities	597,908	5,683,370	-	6,281,278
Deferred support, less current maturities	575,000	-	-	575,000
Due to Holdings	1,464,596	-	(1,464,596)	-
Total liabilities	5,950,564	5,683,370	(1,464,596)	10,169,338
Net Assets				
Unrestricted	3,995,633	932,679	(932,679)	3,995,633
Temporarily restricted	142,520	-	-	142,520
Total net assets	4,138,153	932,679	(932,679)	4,138,153
Total liabilities and net assets	$ 10,088,717	$ 6,616,049	$ (2,397,275)	$ 14,307,491

See Independent Auditors' Report.

Health Care Center for the Homeless, Inc.
Consolidating Statement of Financial Position
September 30, 2017

	HCCH	Holdings	Eliminations	TOTAL
Assets				
Current assets				
Cash and cash equivalents	$ 1,498,472	$ -	$ -	$ 1,498,472
Patient services receivable, net allowance	541,511	-	-	541,511
Grants receivable	375,707	-	-	375,707
Prepaid expenses	300,298	-	-	300,298
Total current assets	2,715,988	-	-	2,715,988
Receivable for Ivey Lane Community Health Care Center project	-	-	-	-
Assets limited as to use				
Interest reserve account	-	-	-	-
Expense reserve account	-	-	-	-
Total assets limited as to use	-	-	-	-
Property and equipment, net	4,152,848	-	-	4,152,848
Beneficial interest in net assets of Central Florida Foundation, Inc.	23,749	-	-	23,749
Investments in limited liability companies	10,000	-	-	10,000
Other	21,166	-	-	21,166
Due from HCCH	-	-	-	-
Total assets	$ 6,923,751	$ -	$ -	$ 6,923,751
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued expenses	$ 404,103	$ -	$ -	$ 404,103
Construction contract payable	-	-	-	-
Accrued compensation	530,735	-	-	530,735
Line of credit	-	-	-	-
Current maturities of long-term debt	3,880	-	-	3,880
Current maturities under capital lease	11,724	-	-	11,724
Current maturities of deferred support	419,596			419,596
Total current liabilities	1,370,038	-	-	1,370,038
Long-term debt, less current maturities	4,027	-	-	4,027
Deferred support, less current maturities	1,070,125	-	-	1,070,125
Due to Holdings	-	-	-	-
Total liabilities	2,444,190	-	-	2,444,190
Net Assets				
Unrestricted	4,340,603	-	-	4,340,603
Temporarily restricted	138,958	-	-	138,958
Total net assets	4,479,561	-	-	4,479,561
Total liabilities and net assets	$ 6,923,751	$ -	$ -	$ 6,923,751

Health Care Center for the Homeless, Inc.
Consolidating Statement of Activities
Year Ended September 30, 2018

	HCCH	Holdings	Eliminations	Total
Changes in unrestricted net assets				
Support, revenue and gains				
Support	$ 2,487,269	$ -	$ -	$ 2,487,269
Program service revenue, net	2,551,266	-	-	2,551,266
Interest income	1,042	-	-	1,042
	5,039,577	-	-	5,039,577
Net assets released from restrictions				
Satisfaction of program restrictions	8,837,648	-	-	8,837,648
Toal unrestricted support, revenues and gains	13,877,225	-	-	13,877,225
Expenses				
Program services	12,999,479	-	-	12,999,479
Supporting services	1,222,716	-	-	1,222,716
Total expenses	14,222,195	-	-	14,222,195
Decrease in unrestricted net assets	(344,970)	-	-	(344,970)
Changes in temporarily restricted net assets				
Support	8,841,210	-	-	8,841,210
Net assets released from restrictions	(8,837,648)	-	-	(8,837,648)
Increase in temporarily restricted net assets	3,562	-	-	3,562
Decrease in net assets	(341,408)	-	-	(341,408)
Net assets at beginning of year	4,479,561	-	-	4,479,561
Net assets at end of year	$ 4,138,153	$ -	$ -	$ 4,138,153

Health Care Center for the Homeless, Inc.
Consolidating Statement of Activities
Year Ended September 30, 2017

	HCCH	Holdings	Eliminations	Total
Changes in unrestricted net assets				
Support, revenue and gains				
Support	$ 1,671,743	$ -	$ -	$ 1,671,743
Program service revenue, net	2,864,208	-	-	2,864,208
Interest income	2,239			2,239
	4,535,951	-	-	4,535,951
Net assets released from restrictions				
Satisfaction of program restrictions	8,682,711	-	-	8,682,711
Total unrestricted support, revenues and gains	13,218,662	-	-	13,218,662
Expenses				
Program services	11,269,625	-	-	11,269,625
Supporting services	1,742,457	-	-	1,742,457
Total expenses	13,012,082	-	-	13,012,082
Increase in unrestricted net assets	206,580	-	-	206,580
Changes in temporarily restricted net assets				
Support	8,683,959	-	-	8,683,959
Net assets released from restrictions	(8,682,711)	-	-	(8,682,711)
Increase in temporarily restricted net assets	1,248	-	-	1,248
Increase in net assets	207,828	-	-	207,828
Net assets at beginning of year	4,271,733	-	-	4,271,733
Net assets at end of year	$ 4,479,561	$ -	$ -	$ 4,479,561

Health Care Center for the Homeless, Inc.
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

Programs	CFDA 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	None	$ 53,159
Total for CDBG			53,159
Supportive Housing Program ("SHP")			
Received from Homeless Services Network of Central Florida, Inc.	14.235	FL0561L4H071601	140,224
Received from Homeless Services Network of Central Florida, Inc.	14.235	FL0471L4H071503	7,991
Received from Homeless Services Network of Central Florida, Inc.	14.235	FL0471L4H071604	31,100
Total for SHP			179,315
Total for U.S. Department of Housing and Urban Development			232,474
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	248,907
U.S. Department of Health and Human Services			
Consolidated Health Centers	93.224	H80CS00240	4,105,033
HIV Testing Program			
Received from the State of Florida Department of Health	93.940	OA-216	54,668
HIV Care Formula Grant			
Received from the State of Florida Department of Health	93.917	OA-224	121,248
Total for U.S. Department of Health and Human Services			4,280,949
Total federal awards			$ 4,762,330

See Independent Auditors' Report.
See Notes to Schedule of Expenditures of Federal Awards.

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, 2018. 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, 2018, $48,605 was outstanding from the Department of Health and Human Services.

5. SUBRECIPIENTS

The Center does not provide federal funds to subrecipients.

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ADVISORY TAX AUDIT

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 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 consolidated financial statements of Health Care Center for the Homeless, Inc. (the "Center") (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 consolidated 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.

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ADVISORY TAX AUDIT

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's consolidated 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 consolidated 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

May 22, 2019

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ADVISORY TAX AUDIT

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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, 2018. 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 its federal awards 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, 2018.

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.

WithumSmith+Brown, PC

May 22, 2019

SECTION I – SUMMARY OF AUDITORS' RESULTS

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

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

Dollar threshold used to distinguish between Type A and Type B programs	$ 750,000	
Auditee qualified as low-risk auditee?	X Yes	____ No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD PROGRAMS FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV – PRIOR YEAR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN

No matters were reported.