BORINQUEN HEALTH CARE CENTER, INC.

FINANCIAL STATEMENTS
AND SINGLE AUDIT REPORTS
January 31, 2019 and 2018

BORINQUEN HEALTH CARE CENTER, INC.
Miami, Florida

FINANCIAL STATEMENTS
January 31, 2019 and 2018

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Borinquen Health Care Center, Inc.
Miami, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Borinquen Health Care Center, Inc. (the Organization), which comprise the statement of financial position as of January 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of January 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 1 to the financial statements, the Organization adopted the Financial Accounting Standards Board Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended January 31, 2019. The requirements of the ASU have been applied retrospectively. Our opinion is not modified with respect to this matter.

Other Matter - Predecessor Auditor

The financial statements of the Organization as of January 31, 2018, were audited by other auditors whose report dated October 26, 2018, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Organization's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Tampa, Florida
October 31, 2019

BORINQUEN HEALTH CARE CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

January 31, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash	$ 1,324,135	$ 1,611,117
Patient service receivables, net	2,617,644	2,087,000
Grants and other contract service receivables	617,590	2,187,697
Prepaid expenses and other current assets	536,137	43,924
Total current assets	5,095,506	5,929,738
Property and equipment, net	7,510,644	8,292,877
Deposits and other long-term assets	302,883	303,367
Total assets	$ 12,909,033	$ 14,525,982
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 860,738	$ 2,179,079
Accrued compensation and benefits	584,976	581,328
Deferred revenue	283,510	56,195
Current maturities of long-term debt	55,402	116,916
Total current liabilities	1,784,626	2,933,518
Long-term debt	1,934,103	1,991,986
Total liabilities	3,718,729	4,925,504
Commitments and contingencies		
Net assets:		
Without donor restrictions	9,190,304	9,600,478
Total net assets	9,190,304	9,600,478
Total liabilities and net assets	$ 12,909,033	$ 14,525,982

See accompanying notes to financial statements

BORINQUEN HEALTH CARE CENTER, INC.
STATEMENTS OF ACTIVITIES
For the years ended January 31, 2019 and 2018

	2019	2018
Revenues		
Patient services, net	$ 11,357,877	$ 13,694,363
Department of Health and Human Services grants	9,093,149	8,687,019
Contract services and other grants	7,498,076	6,262,396
Other revenues without donor restrictions	1,749,831	1,309,491
Total revenues	29,698,933	29,953,269
Expenses		
Salaries and benefits	20,818,901	20,990,594
Other than personnel services	7,682,439	8,078,621
Interest and other fees	103,005	108,492
Provision for bad debts	503,345	572,320
Total expenses	29,107,690	29,750,027
Income prior to depreciation	591,243	203,242
Depreciation	(1,001,417)	(1,174,180)
Change in net assets without donor restrictions	(410,174)	(970,938)
Net assets, beginning of year	9,600,478	10,571,416
Net assets, end of year	$ 9,190,304	$ 9,600,478

See accompanying notes to financial statements

BORINQUEN HEALTH CARE CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended January 31, 2019

	Program Services	General and Administrative	Total
Salaries and wages	$ 13,038,061	$ 4,018,172	$ 17,056,233
Payroll expenses and benefits	2,738,625	1,024,045	3,762,670
Healthcare consultants	539,530	2,520	542,050
Consultants and contractual services	904,638	546,131	1,450,769
Professional fees	48,490	472,621	521,111
Pharmacy and supplies	773,174	22,168	795,342
Space costs	1,384,293	509,706	1,893,999
Insurance	49,049	112,888	161,937
Repairs and maintenance	240,394	19,826	260,220
Equipment rental	201,443	33,266	234,709
Telephone	46,069	59,078	105,147
Travel, conferences and meetings	102,690	154,265	256,955
Dues and subscriptions	15,697	97,302	112,999
Interest and other fees	82,760	16,951	99,711
Printing, publications and postage	25,059	22,118	47,177
Information technology	282,719	1,924	284,643
Provision for bad debt	-	503,345	503,345
In-kind expenses	1,018,673	-	1,018,673
Subtotal	21,491,364	7,616,326	29,107,690
Depreciation	915,065	86,352	1,001,417
Total functional expenses	$ 22,406,429	$ 7,702,678	$ 30,109,107

See accompanying notes to financial statements

BORINQUEN HEALTH CARE CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended January 31, 2018

	Program Services	General and Administrative	Total
Salaries and wages	$ 13,560,661	$ 3,604,733	$ 17,165,394
Payroll expenses and benefits	3,021,908	803,292	3,825,200
Healthcare consultants	686,873	-	686,873
Consultants and contractual services	1,397,207	126,953	1,524,160
Professional fees	337,321	89,668	426,989
Pharmacy and supplies	1,011,251	44,406	1,055,657
Space costs	1,529,852	406,669	1,936,521
Insurance	86,657	9,629	96,286
Repairs and maintenance	349,685	61,897	411,582
Equipment rental	179,919	31,750	211,669
Telephone	231,377	61,505	292,882
Travel, conferences and meetings	274,814	60,635	335,449
Dues and subscriptions	62,640	16,651	79,291
Interest and other fees	-	108,492	108,492
Printing, publications and postage	43,942	11,681	55,623
Information technology	-	454,272	454,272
Provision for bad debt	572,320	-	572,320
In-kind expenses	280,434	-	280,434
Other	185,077	45,856	230,933
Subtotal	23,811,938	5,938,089	29,750,027
Depreciation	927,602	246,578	1,174,180
Total functional expenses	$ 24,739,540	$ 6,184,667	$ 30,924,207

BORINQUEN HEALTH CARE CENTER, INC.
STATEMENTS OF CASH FLOWS
January 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Cash received from operations and other	$ 32,490,116	$ 28,196,916
Cash paid for operations and other	(32,338,807)	(27,919,637)
Cash paid for interest	(99,710)	(105,150)
Net cash provided by operating activities	51,599	172,129
Cash flows from investing activities		
Cash paid for purchase of property and equipment	(219,184)	(12,870)
Net cash used in investing activities	(219,184)	(12,870)
Cash flows from financing activities		
Cash paid for principal payments of long-term debt	(119,397)	(119,834)
Net cash used in financing activities	(119,397)	(119,834)
Net (decrease) increase in cash	(286,982)	39,425
Cash, beginning of year	1,611,117	1,571,692
Cash, end of year	$ 1,324,135	$ 1,611,117
Reconciliation of change in net assets without donor restrictions to net cash provided by operating activities:		
Change in net assets without donor restrictions	$ (410,174)	$ (970,938)
Adjustments to reconcile changes in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	1,001,417	1,174,180
Provision for bad debts	503,345	572,320
Decrease (increase) in operating assets:		
Patient services receivable	(1,033,989)	(206,196)
Grants and other contracted service receivables	1,570,107	(1,032,214)
Prepaid expenses another current assets	(492,213)	54,377
Deposits and other long-term assets	484	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(1,318,341)	595,100
Accrued compensation and benefits	3,648	26,105
Deferred revenue	227,315	(40,605)
Total adjustments	461,773	1,143,067
Net cash provided by operating activities	$ 51,599	$ 172,129
Supplemental disclosures of noncash information:		
In-kind donations	$ 1,018,673	$ 280,434

See accompanying notes to financial statements

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Borinquen Health Care Center, Inc. (the “Organization”) is a not-for-profit organization incorporated in the State of Florida for the purpose of providing readily accessible primary healthcare services to the indigent population of Miami-Dade County, Florida.

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

Basis of Presentation: The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Net assets: Net assets, revenues and releases from restriction are classified based on the existence or absence of donor or board-imposed restrictions. Accordingly, the net assets of the Organization and the changes therein are classified and reported in two categories of net assets.

Without donor restrictions
Net assets that are not subject to donor-imposed restrictions.

With donor restrictions
Net assets that are restricted by a donor for use for a specific purpose or in a future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed.

Other donor-imposed restrictions on net assets included in this category are permanent in nature. These net assets have been restricted by donors to be maintained by the Organization either in perpetuity or until released by specific action by the Organization’s Board of Directors in accordance with applicable law.

The Organization’s unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

As of January 31, 2019 and 2018 there were no net assets with donor restrictions.

Management Estimates: In accordance with U.S. GAAP, the accompanying financial statements include the use of estimates made by management. Actual results may differ from these estimates and management may change the estimates as a result of new information and changes in circumstances. Such estimates include, but are not limited to, the allowance for uncollectible patient receivables, estimated useful lives of property and equipment, and net patient service revenue.

Risks and Uncertainties: Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, patient services receivable and grants and other contract service receivable. At times during the year, the Organization’s cash balances may exceed federally insured limits. The Organization places its cash with several financial institutions and has not experienced losses in any such accounts.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and other contract service receivable credit risk is limited due to the nature of the grants and contracts. The Organization regularly monitors its grants and contract service receivable by investigating delayed payments and differences when payments received do not conform to the amount billed. The Organization considers all grants and contract service receivable as collectible.

Patient services receivable are due from patients in and around South Florida. Risk is limited due to the large number of individually insignificant accounts which comprise the Organization's customer base, thus spreading the default risk. No single customer represents greater than 10% of total patient service receivables at January 31, 2019 and 2018.

Concentrations: The Organization's coverage area is currently limited to Miami-Dade County in the State of Florida. Given this concentration, the Organization is subject to adverse economic, regulatory or other developments in the State of Florida that could have a material adverse effect on the Organization's financial conditions and operations.

The largest grantor, the DHHS, accounted for 31% and 29% of revenue for the years ended January 31, 2019 and 2018, respectively. The loss of this funding source could have an adverse impact on the Organization. Changes in the government's available funding sources, economic conditions, or changes in political priorities can have an adverse effect on the Organization's financial condition. Management works to reduce its risk associated with this program by marketing and developing other programmatic activities to supplement and improve the Organization's overall financial strength. Management would also explore cost containment initiatives, if needed.

The Organization is dependent upon third-party service providers and suppliers for its lab service and medical supplies. The Organization is dependent on the ability of its vendors to provide products and services on a timely basis and on favorable pricing terms. The loss of certain principal vendors or a significant reduction in product and/or service availability could have a material effect on the Organization.

Cash: The Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Patient Services Receivable, Net: Patient services receivable are reported at their outstanding unpaid principal balances reduced by an allowance for uncollectible patient receivables and contractual allowances. The Organization estimates doubtful accounts based on historical bad debts, factors related to specific payors' ability to pay and current economic trends. The Organization writes off accounts receivable against the allowance when a balance is determined to be uncollectible. Recoveries of accounts previously written off are recorded when received.

Grants and Other Contract Service Receivables: Grants and other contract service receivables are reported at their outstanding unpaid balances reduced by an allowance for doubtful accounts. The Organization estimates doubtful accounts based on the specific identification method. The Organization writes off receivable balances against the allowance when a balance is determined to be uncollectible. Management has determined that no allowance was necessary as of January 31, 2019 and 2018.

Property and Equipment, Net: Property and equipment is recorded at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, ranging from 4 to 40 years. Leasehold improvements are amortized on a straight-line basis over the estimated useful life of the improvement or the term of the lease, whichever is less. Repairs and maintenance costs are expensed as incurred.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When items are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gains or losses are credited or charged to operations. The Organization capitalizes all purchases of property and equipment in excess of $500.

Impairment of Long-Lived Assets: The carrying value of long-lived assets is reviewed if the facts and circumstances, such as significant declines in revenues, earnings or cash flows or material adverse changes in the business climate, indicate that they may be impaired. The Organization performs its review by comparing the carrying amounts of long-lived assets to the estimated undiscounted cash flows relating to such assets. If any impairment in the value of the long-lived assets is indicated, the carrying value of the long-lived assets is adjusted to reflect such impairment based on the fair value of the impaired assets or an estimate of fair value based on discounted cash flows. No write-downs for impairment of long-lived assets were recorded in 2019 and 2018.

Revenue Recognition: Patient services revenue is reported at the estimated net realizable amounts from patients, third party payors' and others for services rendered. Self-pay revenue is recorded at published charges with contractual allowances deducted to arrive at net self-pay revenue. All other patient services revenue is recorded at published charges with contractual allowances deducted to arrive at patient services, net.

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions. Grants and contracts awarded for the acquisition of long-lived assets are reported as unrestricted nonoperating revenue during the fiscal year in which the assets are acquired.

Eligible patients may participate in the Organization's sliding fee discount program. This program aims to make health care services available and accessible to eligible patients by establishing fees based on their ability to pay, in accordance with federal regulations. Discounts are provided based on individual and family federal poverty guidelines. For the years ended January 31, 2019 and 2018, the Organization recorded discounts totaling approximately $2,368,000 and $2,886,000, respectively. These discounts were recorded as a direct deduction from patient services revenue, as presented on the statements of activities.

Pharmacy Program: The Organization participates in the Federal 340B Drug Pricing Program (340B Program) which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Program is managed by the Health Resources and Services Administration ("HRSA") Office of Pharmacy Affairs.

In a prior year, the Organization contracted a third party pharmacy to administer the program. Per the agreement with the third party pharmacy, the Organization earns a fee per prescription filled, subject to a minimum amount per month. Net pharmacy revenue consisted of the amount received based on the fee arrangement and is included under the caption "Revenues without donor restrictions" in the Statements of Activities. The Organization recorded the amount at net rather than gross based upon the criteria established by the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification 605-45 regarding principal/agent considerations. The third party pharmacy purchased the pharmaceuticals at a reduced cost and filled the prescriptions to eligible patients.

On July 31, 2018, the agreement with the third party pharmacy expired. The Organization entered into an agreement with another third party pharmacy with similar terms and conditions. The new third party pharmacy began operating the pharmacy in August 2018.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The 340B Program is subject to routine audits by HRSA. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

Deferred Revenue: Revenue from federal, state, and local sources is recognized when earned. Funds received but not earned are recorded as deferred revenue until earned.

In-kind Donations: In-kind donations are recorded as support and expense at the fair value at the date of donation. In-kind donations are comprised of donated pharmaceuticals and vaccines. During the years ended January 31, 2019 and 2018, the Organization recorded in-kind donations of approximately $1,020,000 and $280,000, respectively, which are recorded as revenues without donor restrictions in the statements of activities.

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. Accordingly, certain costs have been charged to program services or supporting services based on a combination of specific identification and allocation by management. There were no fundraising activities or costs for the years ended January 31, 2019 and 2018.

Income taxes: The Internal Revenue Service has determined that the Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). The IRC provides for taxation of unrelated business income under certain circumstances. The Organization has no material unrelated business income; however, such status is subject to final determination upon examination of the related income tax returns by the appropriate taxing authority.

Under ASC Subtopic 740, Income Taxes, the Organization must recognize the tax benefit from an uncertain tax position only if it is “more-likely-than-not” that the tax position will be sustained on examination by the applicable taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. ASC Subtopic 740- 10, also provides guidance of derecognition, classification, interest and penalties on income taxes and accounting in interim periods and requires increased disclosure. There were no uncertain tax positions identified as of January 31, 2019 and 2018. The Organization does not expect the total amount of unrecognized tax benefits to significantly change in the next twelve months.

Tax returns filed by the Organization are subject to examination by the Internal Revenue Service (IRS) up to three years from the date the return was filed. The Organization recognizes interest and/or penalties related to income tax matters in income tax expense. The Organization did not have any amounts accrued for interest and penalties at January 31, 2019 and 2018. Tax returns filed by the Organization are no longer subject to examination for the years ended 2016 and prior.

Reclassification: Certain items in the 2018 financial statements were reclassified to conform to the 2019 presentation. These reclassifications had no impact on the 2018 change in net assets without donor restrictions or the net asset without donor restrictions balance.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements:

Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which revises the not-for-profit financial reporting model. ASU 2016-14 provides for additional disclosure requirements and modifies net asset and expense reporting. The Organization adopted the new guidance effective February 1, 2018 and applied the changes retrospectively. Implementation of this guidance resulted in a change in presentation in net assets and additional disclosures surrounding the Organization's liquidity and availability of financial assets.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). This ASU will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective retrospectively for fiscal years beginning after December 15, 2018. The Organization believes the most significant impact will be the requirement to identify implicit price concessions, which under ASC 606 will be deemed a form of variable consideration, and ensure these are presented as direct deductions to patient service revenue in the statements of activities rather than included in the provision for bad debts, which is currently presented as an expense.

Leases

In February 2016, the FASB issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Accounting by lessors remains largely unchanged from current U.S. GAAP. The update is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early application permitted. The Organization is currently evaluating the effect the update will have on its financial statements.

Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued an accounting standard update in an effort to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The FASB believes the update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of not-for-profit guidance, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional or not. The update is effective on a modified prospective basis for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the potential accounting, transition, and disclosure effects the update will have on its financial statements.

(Continued)

NOTE 3 - LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets available for general expenditure within one year as of January 31, 2019 and 2018:

	2019	2018
Cash	$ 1,324,135	$ 1,611,117
Patient accounts receivable	2,617,644	2,087,000
Grants and other contract service receivables	617,590	2,187,697
Total	$ 4,559,369	$ 5,885,814

The Organization holds certain financial assets that are considered short term in nature and will be liquidated to satisfy obligations as they come due. These obligations include accounts payable and accrued expenses, salaries and wages, and current maturities of long-term debt. The Organization's available financial assets exclude certain assets that the Organization would not be able to liquidate within one year of the dates of the statements of financial position. Based on the Organization's working capital position at January 31, 2019 and 2018, there are ample short term assets to meet these obligations.

NOTE 4 - PATIENT SERVICES RECEIVABLE, NET

Patient services receivable, net, consists of the following at January 31,:

	2019	2018
Medicaid	$ 2,982,753	$ 1,624,378
Medicare	554,822	169,106
Other third party payors	1,061,603	1,698,475
Self-pay	124,467	266,124
Subtotal	4,723,645	3,758,083
Less allowance for doubtful accounts and contractual adjustments	(2,106,001)	(1,671,083)
	$ 2,617,644	$ 2,087,000

Changes in the contractual adjustments are recorded as reductions to patient service revenues. Provisions for bad debts are recorded as an expense The Organization did not change its uninsured discount policies during the years ended January 31, 2019 and 2018.

(Continued)

NOTE 5 – GRANTS AND OTHER CONTRACT SERVICE RECEIVABLES

Grants and other contracted service receivables consist of the following at January 31, :

	2019	2018
Medicaid low income pool	$ -	$ 932,084
The Children's Trust	114,839	502,460
Emergency Relief Grant (Ryan White Part A)	346,278	227,529
Healthy Start Coalition of Miami Dade	80,656	133,786
Meaningful use	8,500	119,000
Other	67,317	272,838
	$ 617,590	$ 2,187,697

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment, net, consists of the following at January 31,:

	2019	2018
Land	$ 240,000	$ 240,000
Building and improvements	12,884,088	12,891,514
Furniture and equipment	4,387,348	4,927,306
Vehicles	739,409	569,577
Construction-in-progress	53,320	-
	18,304,165	18,628,397
Less accumulated depreciation	(10,793,521)	(10,335,520)
	$ 7,510,644	$ 8,292,877

Construction-in-progress consists of at January 31, 2019 consists primarily of expenditures incurred for the construction of certain improvements to the Organization's operational facility.

Depreciation expense for the years ended January 31, 2019 and 2018 was approximately $1,001,000 and $1,174,000, respectively. The DHHS holds a financial interest in property and equipment acquired with grant funds. In the event the DHHS grants are terminated, DHHS reserves the right to transfer all property and equipment purchased with grant funds to the Public Health Services ("PHS") or third parties.

NOTE 7 – LONG-TERM DEBT

The Organization refinanced its mortgage loan of $2,460,000 in March 2015 for $2,180,810. The maturity date of the loan is March 12, 2025, and the loan is payable in monthly installments of principal and interest totaling approximately $12,600 with a balloon payment of approximately $1,600,000 due at maturity. The loan has a fixed rate of interest of 4.80%. The related property serves as collateral for the loan. DHHS has a reversionary interest on the related property. The balance due on this loan on January 31, 2019 and 2018 was $1,989,505 and $2,108,902, respectively.

(Continued)

NOTE 7 – LONG-TERM DEBT (Continued)

In December 2014, the Organization entered into a promissory note with a maximum borrowing amount of $636,000. The promissory note had a draw period of ten months from the date of the note and was converted to term loan in October 2015. Interest only payments were due during the draw period at a variable rate of Prime plus 1%, with a floor of 4%. During the year ended January 31, 2016, draws of approximately $220,000 were made. In October 2015, the unpaid principal balance was termed out and is being amortized over a period of thirty eight months. The first payment of principal and interest was due in November of 2015 at a fixed interest rate of 4.25%. The maturity date of the note is December 22, 2018. The balance due on this note as of January 31, 2019 and 2018 was $0 and $65,220, respectively.

The aggregate amount of principal payments on long-term debt during the years following January 31, 2019 is as follows:

For the years ending January 31,

2020	$ 55,402
2021	57,884
2022	61,036
2023	64,074
2024	67,262
Thereafter	1,683,847
	$ 1,989,505

Interest expense on long-term debt for the years ended January 31, 2019 and 2018 was approximately $100,000 and $105,000, respectively.

NOTE 8 – PATIENT SERVICES, NET

For the years ended January 31, 2019 and 2018, patient services, net, consisted of the following:

For the year ended January 31, 2019	Gross Charges	Contractual and Charitable Allowances	Patient Services, Net
Medicaid	$ 8,012,861	$ 2,597,493	$ 5,415,368
Medicare	562,233	378,891	183,342
Other third-party payors	15,368,975	10,815,331	4,553,644
Self-pay	3,573,074	2,367,551	1,205,523
	$ 27,517,143	$ 16,159,266	$ 11,357,877

(Continued)

NOTE 8 – PATIENT SERVICES, NET (Continued)

For the year ended January 31, 2018	Gross Charges	Contractual and Charitable Allowances	Patient Services, Net
Medicaid	$ 6,051,150	$ 377,345	$ 5,673,805
Medicare	574,964	337,469	237,495
Other third-party payors	16,421,475	9,973,042	6,448,433
Self-pay	5,635,300	4,300,670	1,334,630
	$ 28,682,889	$ 14,988,526	$ 13,694,363

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

NOTE 9 – DHHS GRANTS

For the year ended January 31, 2019, the Organization received the following DHHS grants:

Grant Number	Grant Period	Total Grant	Revenue Recognized
Operating grants:			
H80CS00618	02/01/2018 - 01/31/2019	$ 7,882,932	$ 7,523,988
H76HA00758	02/01/2018 - 01/31/2019	699,183	697,459
3H79TIO80730/1H79TIO80730	09/30/2018 - 09/29/2022	500,000	498,174
1H79SM061015/1H79SM080638	09/30/2018 - 09/29/2022	500,000	373,528
		$ 9,582,115	$ 9,093,149

For the year ended January 31, 2018, the Organization received the following DHHS grants:

Grant Number	Grant Period	Total Grant	Revenue Recognized
Operating grants:			
H80CS00618	2/1/2017 -1/31/2018	$ 7,243,034	$ 7,175,106
H76HA00758	4/1/2016-3/31/2018	718,923	647,505
1H79TI080730	9/30/2012-9/29/2017	500,000	500,000
	9/30/2017-9/29/2022		
1H79SM061015	9/1/2014-9/29/2018	1,590,143	364,408
		$ 10,052,100	$ 8,687,019

(Continued)

NOTE 10 – CONTRACT SERVICES AND OTHER GRANTS

Contract services and other grants consist of the following for the years ended January 31,:

	2019	2018
Operating grants:		
Children's Trust	$ 3,120,196	$ 2,690,414
Miami Dade County OMB	1,488,678	1,081,084
Healthy Start Coalition of Miami-Dade	661,079	757,640
Florida Association of Community Health Centers	697,459	359,140
State of Florida Department of Health	313,146	294,418
Public Health Trust - South Florida AIDS Network	34,745	102,233
Low-income Pool Program	1,100,050	932,084
Other	82,723	45,383
	7,498,076	6,262,396

NOTE 11 – RETIREMENT PLAN

The Organization maintains a defined contribution 401(k) plan covering substantially all employees who meet certain eligibility requirements. For the years ended January 31, 2019 and 2018, the Organization's retirement plan contribution amounted to approximately $55,000 and $35,000, respectively.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Healthcare Services: The Organization has contracted with various funding agencies to perform certain healthcare services, and receives Medicaid and Medicare revenue from the state and federal governments. Reimbursements received under these contracts and payments under Medicaid and Medicare are subject to audit by federal and state governments and other agencies. Upon audit, if discrepancies are discovered, the Organization could be held responsible for reimbursing the agencies for the amounts in question. Management does not believe there are amounts due as of January 31, 2019 and 2018.

Medical Malpractice: The Organization maintains its medical malpractice coverage under the Federal Tort Claims Act ("FTCA"). The FTCA provides malpractice coverage to eligible PHS-supported programs and applies to the Organization and its employees while providing services within the scope of employment, included under grant-related activities. The Attorney General, through the U.S. Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for the FTCA coverage. The Organization maintains gap insurance for the programs not covered by the FTCA.

Operating Leases: The Organization leases space under non-cancelable operating leases. Total rent expense under non-cancelable leases and other rentals, including parking and other occupancy charges, for the years ended January 31, 2019 and 2018 amounted to approximately $1,396,000 and $1,659,000, respectively, and which are recorded as other than personnel services in the statements of activities.

(Continued)

NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

Facilities leased under non-cancelable operating leases require future approximate minimum payments as follows for the next five years:

For the years ending January 31,

2020	$ 1,104,000
2021	875,000
2022	880,000
2023	910,000
2024	901,000

Litigation: The Organization is involved in litigation and regulatory investigations arising in the ordinary course of business. While there are uncertainties inherent in the ultimate outcome of such matters and it is impossible to presently determine the ultimate costs that may be incurred, management believes the resolution of such uncertainties and the incurrence of such costs will not have a material adverse effect on the Organization's future financial position or results from operations.

NOTE 13 – SUBSEQUENT EVENTS

In July 2019, the Organization refinanced its mortgage note (the Note) with a major financial institution for a principal amount totaling $3,800,000. The proceeds were used to purchase a building. The Note is secured by two properties owned by the Organization. The Note has a stated interest rate of 4.37% and matures in June 2029.

The Organization has evaluated subsequent events through October 31, 2019, which is the date the financial statements were available to be issued.

SINGLE AUDIT REPORTS

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

To the Board of Directors of
Borinquen Health Care Center, Inc.

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 Borinquen Health Care Center, Inc. (a not-for-profit organization) (the "Organization"), which comprise the statement of financial position as of January 31, 2019, 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 October 31, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Organization's internal control.

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

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Tampa, Florida
October 31, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Borinquen Health Care Center, Inc.

Report on Compliance for Each Major Federal Program

We have audited Borinquen Health Care Center, Inc.'s (the 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 Organization's major federal programs for the year ended January 31, 2019. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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 Organization'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 Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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 January 31, 2019.

(Continued)

Report on Internal Control Over Compliance

Management of the Organization 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 Organization'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 Organization'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.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the Organization as of and for the year ended January 31, 2019, and have issued our report thereon dated October 31, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Crowe LLP

Crowe LLP

Tampa, Florida
October 31, 2019

SUPPLEMENTAL INFORMATION

BORINQUEN HEALTH CARE CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended January 31, 2019

Federal Grantor, Pass-through Grantor Program of Cluster Title	CFDA Number	Contract/ Grant Number	Passed Through to Subrecipients	Expenditures
U.S. Department of Health and Human Services:				
Health Center Program Cluster:				
Health Center Program	93.224	H80CS00618	$ -	$ 2,241,920
Affordable Care Act Grants for New and Expanded Services Under the Health Center Program	93.527	H80CS00618	-	5,336,481
Subtotal Health Center Program Cluster			-	7,578,401
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00758	-	697,459
Substance Abuse and Mental Health Services, Projects of Regional and National Significance	93.243	3H79TIO80730	-	164,842
Substance Abuse and Mental Health Services, Projects of Regional and National Significance	93.243	1H79TIO80730	-	333,332
Substance Abuse and Mental Health Services, Projects of Regional and National Significance	93.243	1H79SM061015	-	265,024
Substance Abuse and Mental Health Services, Projects of Regional and National Significance	93.243	1H79SM080638	-	108,504
Subtotal Substance Abuse and Mental Health Services, Projects of Regional and National Significance			-	871,702
Passed through Healthy Start Coalition of Miami-Dade, Inc.:				
Medicaid Cluster:	93.778	HSBHCC1516 / HSBCC1517	-	460,111
Subtotal Medicaid Cluster				460,111
Maternal & Child Health Services Block Grant to the State	93.994	HSBHCC1516 / HSBCC1517	-	200,968
Passed through State of Florida Department of Health Miami-Dade County:				
HIV Prevention Activities Health Department Based	93.940	CODLY	-	165,062
HIV Prevention Activities Health Department Based	93.940	DEX26	-	116,172
HIV Prevention Activities Health Department Based	93.940	CODNB	-	313,147
HIV Prevention Activities Health Department Based	93.940	DEX38	-	44,830
Passed through Jackson Health Systems:				
HIV Prevention Activities Health Department Based	93.940	CDOJS/CDOJ	-	34,745
Subtotal HIV Prevention Activities Health Department Based			-	673,956
Passed through Miami Dade County:				
HIV Emergency Relief Project Grants	93.914	BU0327 / BU3028	-	1,488,678
Total U.S. Department of Health and Human Services			-	11,971,275
Total Federal Awards			$ -	$ 11,971,275

See Notes to Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Borinquen Health Care Center, Inc. (the Organization) and is presented on the accrual basis of accounting. Federal award expenditures are recognized following cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), wherein certain types of expenditures are not allowable or are limited to reimbursement. The amounts reported in the accompanying schedule as expenditures may differ from certain financial reports submitted on either a cash or modified accrual basis of accounting. Because this schedule presents only a select portion of the operations of the Organization, it is not intended to and does not present the financial position, changes to its net assets, or cash flows of the Organization.

NOTE 2 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal awards is presented in accordance with requirements of the Uniform Guidance.

NOTE 3 – SUBRECIPIENTS

There were no Federal awards provided to subrecipients.

NOTE 4 – INDIRECT COST RATE

For certain grants the amount expended includes an indirect cost recovery using an indirect cost rate of percent. The Organization has elected to use the de minimis indirect cost rate allowed under the Uniform Guidance during the year ended January 31, 2019.

SECTION 1 – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _______ Yes __X__ No

Significant deficiency(ies) identified? _______ Yes __X__ None Reported

Noncompliance material to financial statements noted? _______ Yes __X__ No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? _______ Yes __X__ No

Significant deficiency(ies) identified? _______ Yes __X__ None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _______ Yes __X__ No

Identification of major federal programs:

CFDA	NumberName of Federal Program of Cluster
93.224, 92.527	Health Center Program Cluster
93.243	Substance Abuse and Mental Health Services, Projects of Regional and National Significance

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000

Auditee qualified as low-risk auditee? _______ Yes __X__ No

(Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no such matters identified.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

There were no such matters identified.

(Continued)

Finding 2018-001: The organization does not have controls in place to ensure it complies with the sliding fee requirements for the Health Center Program Cluster grant.

Impacted Programs:

Federal Awarding Agency:	United States Department of Health and Human Services
Pass-Through Entity:	None
CFDA Number and Title	93.224, 93.527 Health Center Program Cluster
Federal Award Number	H80CS00618
Applicable Compliance Component:	Special requirements – sliding fee
Questioned Cost Amount	None

Condition:
The Organization did not consistently apply discounts to patient service charges in accordance with the sliding fee discounts scale.

Status of Prior Year Finding:
This finding was remediated.