

EMPOWER "U", INC.

***FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
AND SUPPLEMENTARY INFORMATION***

MARCH 31, 2019



RLMolina, LLC

Certified Public Accountants & Business Advisors

**EMPOWER “U”, INC.
FINANCIAL STATEMENTS
MARCH 31, 2019**

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Independent Auditors' Report

To the Board of Directors
Empower "U", Inc.
Miami, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Empower "U", Inc. ("Empower "U'") which comprise the balance sheets as of March 31, 2019, and the related statements of operations and changes in net assets, functional expense and cash flows for the year then ended, and the related notes to the financial statements.

The financial statements of Empower "U" as of March 31, 2018, were audited by other auditors whose report dated December 28, 2018 expressed an unmodified opinion on those statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Empower "U"'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 Empower "U"'s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Empower "U", Inc. ("Empower "U'"), as of March 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.

Independent Auditors' Report (Cont'd.)

Effect of Adopting New Accounting Standard

As discussed in **Note 2** to the financial statements, Empower "U" has changed the presentation of net assets in the accompanying financial statements due to the adoption of Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profits Entities. Our opinion is not modified with respect to that matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of Empower "U" taken as a whole. The accompanying schedule of expenditures of federal awards on page 20, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2019, on our consideration of Empower "U"'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Empower "U"'s internal control over financial reporting and compliance.

RLMolina, LLC.

December 23, 2019
Hollywood, Florida



RLMolina, LLC

Certified Public Accountants & Business Advisors

EMPOWER "U", INC.
BALANCE SHEET
MARCH 31, 2019

ASSETS

Current Assets:

	Amount
Cash	\$ 721,328
Net patient service receivable	246,728
Grants and contracts receivable	357,871
Other receivable	395,580
Deposits and other assets	102,158
Total Current Assets	1,823,665

Non-current Assets:

Property and equipment, net	962,572
Total Non-Current Assets	962,572
Total Assets	\$ 2,786,237

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and accrued expenses	\$ 572,015
Payroll and related liabilities	331,272
Tenants security deposits	5,479
Capital leases	276,662
Total Liabilities	1,185,428

Net Assets

Without donor restrictions:

Undesignated	1,261,169
Total Net Assets Without Donor Restrictions	1,261,169

With donor restrictions:

Purpose restricted	339,640
Total Net Assets With Donor Restrictions	339,640

Total Net Assets	1,600,809
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Total Liabilities and Net Assets	\$ 2,786,237
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(The accompanying notes are an integral part of these financial statements.)

EMPOWER "U", INC.
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2019

Revenue:	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue:			
Federal grants and contracts	\$ 3,537,160	\$ -	\$ 3,537,161
Other grants and contracts	113,179	-	113,178
Net patient service revenue	811,520	-	811,520
340B drug pricing revenue	4,680,835	-	4,680,835
Rental income	47,384	-	47,384
Other income	33,436	-	33,436
Total Public Support and Revenue	9,223,514	-	9,223,514
Net Assets Released from Restrictions:			
Restrictions satisfied by purpose	11,321	(11,321)	-
Total Net Assets Released from Restrictions	11,321	(11,321)	-
Total Revenue	9,234,835	(11,321)	9,223,514
Expenses:			
Program Services:			
Medical care	5,445,578	-	5,445,578
Care connection	135,495	-	135,495
Medical case management	246,876	-	246,876
Housing	435,748	-	435,748
Prevention	730,582	-	730,582
Other programs	178,385	-	178,385
Total Program Services	7,172,664	-	7,172,664
Supporting Services:			
Management and general	1,970,648	-	1,970,648
Fundraising	13,124	-	13,124
Total Supporting Services	1,983,772	-	1,983,772
Total Expenses	9,156,436	-	9,156,436
Changes in net assets	78,399	(11,321)	67,078
Net assets, beginning of year	1,182,770	350,961	1,533,731
Net Assets, End of Year	\$ 1,261,169	\$ 339,640	\$ 1,600,809

(The accompanying notes are an integral part of these financial statements.)

EMPOWER “U”, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2019

Expense	Program Services						Supporting Services			Total
	Medical Care	Care Connection	Case Management	Housing	Prevention	Other	Total Program Expense	Management & General	Fund-raising	
Supplies	\$ 3,431,912	\$ 1,777	\$ 1,059	\$ 3,269	\$ 8,313	\$ 4,092	\$ 3,450,422	\$ 36,337	\$ -	\$ 3,486,759
Salaries & Benefits	2,384,045	117,734	219,047	336,343	516,895	119,327	3,693,391	460,912	-	4,154,303
Program Services Expenses	116,556	728	-	-	31,132	5,494	153,910	78,793	1,005	233,708
Contract Labor	87,426	-	-	-	-	16,500	103,926	55,279	12,119	171,324
Facilities Expenses	109,937	8,551	12,956	66,350	69,598	8,105	275,497	55,484	-	330,981
Equipment	40,389	1,455	6,659	6,664	26,965	1,270	83,402	70,828	-	154,230
Insurance	26,208	1,038	1,190	3,769	13,033	217	45,455	9,494	-	54,949
Travel-Meals, Auto & Lodging	12,896	170	2,046	53	17,217	16,809	49,191	24,200	-	73,391
Professional Services	30,130	1,063	-	1,156	-	-	32,349	164,778	-	197,127
Telecommunications	16,354	2,979	3,582	17,395	10,622	1,538	52,470	13,784	-	66,254
Interest Expense	-	-	-	-	-	-	-	19,791	-	19,791
Miscellaneous	19,897	-	337	749	36,807	5,033	62,823	28,767	-	91,590
Expense Before Depreciation & Amortization	6,275,750	135,495	246,876	435,748	730,582	178,385	8,002,836	1,018,447	13,124	9,034,407
Depreciation	-	-	-	-	-	-	-	85,753	-	85,753
Amortization	-	-	-	-	-	-	-	36,276	-	36,276
Total Expense	\$ 6,275,750	\$ 135,495	\$ 246,876	\$ 435,748	\$ 730,582	\$ 178,385	\$ 8,002,836	\$ 1,140,476	\$ 13,124	\$ 9,156,436

(The accompanying notes are an integral part of these financial statements.)

**EMPOWER "U", INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019**

Cash flows from operating activities:	<u>Amount</u>
Change in net assets	\$ 67,078
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	122,029
Changes in operating assets and liabilities:	
(Increase) decrease in assets:	
Net patient service receivable	(23,686)
Grants and contracts receivable	(184,039)
Other receivable	221,287
Deposits and other assets	(31,074)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	34,729
Payroll and related costs	<u>(11,991)</u>
Total Adjustments	<u>127,255</u>
Net Cash Provided By Operating Activities	<u>194,333</u>
Cash flows from investing activities:	
Purchase of equipment and leasehold improvements	<u>(84,628)</u>
Net Cash Used in Investing Activities	<u>(84,628)</u>
Cash flows from financing activities:	
Capital lease payments	<u>(67,745)</u>
Net Cash Used in Financing Activities	<u>(67,745)</u>
Net increase in cash	41,960
Cash, beginning of year	<u>679,368</u>
Cash, End of Year	<u>\$ 721,328</u>
Supplemental Disclosure of Cash Flow Information:	
Interest Payments For Interest	<u>\$ 19,791</u>

(The accompanying notes are an integral part of these financial statements.)

EMPOWER “U”, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

Note 1 - Organization and Nature of Activities

Empower “U”, Inc. (“Empower “U”/Organization) is a non-profit comprehensive community health center in the Liberty City area in Miami-Dade County, that provides patient-centered primary medical care and related health services to minorities and their families regardless of a patient’s ability to pay in an effort to reduce the disparities in traditionally underserved population. Founded in 1997, Empower “U” today serves nearly 5,000 patients. In 2014, Empower “U” was designated as a Federally Qualified Health Center (FQHC) by the Department of Health and Human Services, and the Health Resources and Services Administration (HRSA).

Supplementing its primary care services, Empower “U” also provides nutrition education, pediatrics, women’s health, prenatal, mental health and counseling services. Empower “U” also provides HIV prevention and support services, wellness education and housing services.

The various programs and supporting services of Empower “U” are as follows:

Care Connection and Medical Case Management Program—The Care Connection and Medical Case Management programs provide care and medical case management as well as peer education and support services to people living with HIV/AIDS. This program helps HIV positive individuals who are newly diagnosed or previously diagnosed, but never had proper care to access medical care services. Medical case management works to improve health outcomes through increasing access to care and support services.

Housing Program—The Housing program provides long-term housing services to people living with AIDS. Housing services include the Housing Opportunities for People with AIDS (HOPWA), long- term rental assistance program, and Section 8 like voucher programs which are designed to ensure stable housing for low-income individuals living with HIV/AIDS.

Medical Care Program—Medical Care Program provides primary medical care to families and individuals, regardless of insurance status or ability to pay. Empower “U” served nearly 5,000 patients during the fiscal year ended March 31, 2019.

Prevention Program—The Prevention Program tests more than 2,500 individuals at risk for HIV and connects 60% of those who tested positive to HIV medical and support services. This program also provides individual and community-level services to those living with HIV or who are at-risk to reduce their risk for transmitting or acquiring HIV. Services include comprehensive counseling services and a client-centered HIV prevention program that provides intensive ongoing individualized prevention counseling, support and service brokerage to HIV-positive and high-risk HIV-negative persons.

Other Programs—Other programs include mental health and substance abuse counseling for individuals, regardless of insurance status or ability to pay.

Note 2 - Summary of Significant Accounting Policies

A summary of significant accounting policies followed in the accompanying financial statements is presented below:

Basis of Accounting

The financial statements of Empower “U” have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America. In September 2009, the Financial Accounting Standards Board (“FASB”) implemented the Accounting Standards Codification (“ASC”) which establishes FASB ASC as the source of authoritative U.S. accounting and reporting standards for nongovernmental entities. Presented below is a summary of significant accounting principles followed in the preparation of the accompanying financial statements.

EMPOWER “U”, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

Note 2 - Summary of Significant Accounting Policies (Cont'd.)

Financial Statement Presentation

These financial statements are prepared in accordance with FASB ASC. In accordance with these standards, net assets, revenues, expenses, gains and losses are classified as to two classes of net assets: without donor restrictions and with donor restrictions.

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions, including, if applicable, net assets that have been designated by the Board of Directors for expenditure on specific purposes or projects.

With Donor Restrictions – Net assets subject to restrictions imposed by donors or grantors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

At the close of business on March 31, 2019, Empower “U” had \$1,182,352 in net assets without donor restrictions and \$339,640 in net assets with donor restrictions.

The primary source of revenue for the Organization consists of grants and contracts which, absent a specific restriction by the grantor, are considered to be available for unrestricted use. Grant and contract revenue includes only that portion of the grant and contract that was earned prior to the balance sheet date. All grant and contract funds received as of the statement of financial position date which is considered to be applicable to future periods are reflected as deferred revenue on the statement of financial position or temporarily restricted net assets, where applicable.

A secondary source of revenue for the Organization is the fees it collects from its patients for services consistent with its primary business functions of operating its medical activities.

Additionally, the Organization also generates income from its 340B discount drugs pricing program as well as corporate and individual contributions and donations. These donations take the form of cash and materials, space and services.

The costs of providing the various programs and other activities have been detailed in the accompanying Statements of Operations and Changes in Net Assets.

Salaries and other expenses which are associated with a specific program are charged directly to that program. Salaries and other expenses which benefit more than one program are allocated to the various programs based on the relative costs incurred. Administrative and other support expenses are allocated to the various programs based on each program's salary expense.

Cash

Cash consists of demand deposits deposited into several banking institutions. Empower “U” has not experienced any losses in such accounts. Empower “U” ’s cash as of March 31, 2019 was \$721,328.

EMPOWER “U”, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

Note 2 - Summary of Significant Accounting Policies (Cont'd.)

Grants and Contracts Receivable

Amounts reflected as grants and contracts receivable represent the differences between the grant awards (federal and local) and contractual revenue earned and cash receipts related to these awards and revenue. Grants and contracts revenue is recognized to the extent that these funds are earned. Empower “U” believes that the concentration associated with its grants and contracts receivable is mitigated by the fact that the majority of the grants and contracts receivable at year end are due mainly from federal agencies.

Other Receivable

Other receivable reflect amounts earned but not yet collected for which Empower “U” expects to realize payment. Management considers other receivables to be fully collectible and accordingly, an allowance for doubtful accounts is not considered necessary at March 31, 2019.

Patient Service Receivable

Patient service receivable are stated at their estimated net realizable value. Empower “U” maintains allowances for uncollectible accounts and estimated losses resulting from a payor's inability to make payments on accounts. Receivables due directly from patients are carried at the original charge for the service provided less discounts provided under the Organization’s charity care policy, less amounts covered by third-party payors and less an estimated allowance for doubtful receivables.

Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Organization generally does not charge interest on past-due accounts. Patient receivables, net of discounts and charity care, are written off as bad-debt expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad-debt expense when received.

Property and Equipment

Property and equipment are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized using the straight-line method over the term of their respective leases or their useful life, whichever is shorter. These useful Lives are as follows:

<u>Assets</u>	<u>Years</u>
Building	27.5
Leasehold improvements	10
Furniture and equipment	5-10
Computer equipment and software	3-7
Vehicles	7-10

It is Empower “U” 's policy to capitalize property and equipment over \$5,000; lesser amounts are expensed.

According to federal regulations, any equipment items obtained through federal funds are subject to a lien by the federal government. As long as the Empower “U” maintains its tax-exempt status, or so long as the equipment is used for its intended purpose, the Organization is not required to reimburse the federal government. If the stated requirements are not met, the Organization would be obligated to the federal government in an amount equal to the fair value of the property and equipment.

Compensated Absences

Empower “U” 's policies provide for granting of a specific number of days of vacation and sick leave with pay. In addition, these policies provide for paying an employee for unused vacation and holiday upon termination. Compensated absences are accrued when earned.

EMPOWER “U”, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

Note 2 - Summary of Significant Accounting Policies (Cont'd.)

Grants Revenue

A significant portion of Empower U”’s revenue originates from federal and local grants. Costs incurred under each of the programs are subject to approval and subsequent audits by the respective agencies. Funding under certain existing grants may be reduced or increased at the discretion of the grantor agencies. Grants are considered exchange transactions and are recorded as unrestricted revenue when earned. Grant funds received prior to the incurrence of the qualifying expenses are deferred and reported as refundable advances on the balance sheet.

Grants awarded for the acquisition of long-lived assets are reported as unrestricted, non-operating support during the fiscal year in which the assets are acquired. For the year ended March 31, 2019, Empower “U” has been awarded grants from governmental entities all of which have not been recorded in these financial statements, as they *have* not been earned. These grants require the Organization to provide health care services during specified periods. If such services are not provided during the periods, the grantor agencies are not obligated to provide the funds allotted under the grants.

Contracts Revenue

Contract revenue is recognized when earned. Cost-reimbursement contracts are recognized as revenue when the qualifying expenses have been incurred and all other contract requirements have been met, including the execution of the contract.

Contributions

Empower “U” accounts for contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions with temporary restrictions that are received and used within the year are included in unrestricted activities. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of operations and changes in net assets as net assets released from restrictions.

Net Patient Services Revenue

Net patient services revenue is reported at the net realizable amounts from patients, third-party payors and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors, which are subject to audit by administrating agencies. These adjustments are accrued on an estimated basis and are adjusted in future periods as final settlements are determined. Empower “U” has agreements with third-party payors that provide for payments to Empower “U” at amounts different from its established rates. Payment arrangements include predetermined fee schedules and discounted charges. The Organization provides care to certain patients under Medicaid and Medicare payment arrangements. Self-pay revenue is recorded at published charges net of charitable allowances based on a sliding-fee scale.

340B Drug Pricing Revenue

Empower “U” participates in the 340B “Drug Discount Program” which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Pricing Program is managed by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs. The 340B drug pricing revenue from this program is used in furtherance of the Organization’s mission.

EMPOWER "U", INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

Note 2 - Summary of Significant Accounting Policies (Cont'd.)

Fair Value Measurements

In accordance with GAAP, Empower "U" defines fair value as the price that would be received to sell an asset or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The standard establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The levels of the hierarchy and those investments included in each are as follows:

Level 1 – Inputs to the valuation methodology are quoted (unadjusted) for identical assets or liabilities traded in active markets.

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 markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

As of March 31, 2019, the Organization did not have financial assets or liabilities requiring fair value measurement on a recurring basis.

Income Taxes

Empower "U" was organized as a not-for-profit corporation and has received an exemption under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is provided for in the accompanying financial statements. In addition, the Organization has also been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

The FASB ASC interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

Under this guidance the Organization may 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 taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). 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. There were no unrecognized tax benefits identified or recorded as liabilities for year ended March 31, 2019.

The Organization files forms 990 in the U.S. federal jurisdiction. Management believes that the Organization is generally no longer subject to examination by the Internal Revenue Service for fiscal years before March 31, 2015.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures contained in the financial statements. Actual results could differ from those estimates.

EMPOWER “U”, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

Note 2 - Summary of Significant Accounting Policies (Cont'd.)

Charity Care

Empower “U” provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Subsequent Events

Under FASB ASC, subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued or ready to be issued. Empower “U” recognizes in the financial statements the effect of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including estimates inherent in the process of preparing the financial statements. The Organization’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are issued. The Organization has evaluated the subsequent events from March 31, 2019 through December 23, 2019, which is the date the financial statements were available to be issued.

Functional Reporting of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Expenses are recorded according to the purpose to which they relate. That is, expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated primarily based on square footage, payroll costs and program revenue.

Impairment of Long-Lived Assets

Empower “U” accounts for long lived assets in accordance with the provisions of FASB ASC 360, *Property, Plant and Equipment*. FASB ASC 360 requires that long lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

No impairment charges were recorded for the year ended March 31, 2019.

Change In Accounting Principles

On August 27, 2016, the Financial Accounting Standards Board (the FASB) issued FASB *Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This standard replaced the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two classes of net assets: those with donor restrictions and those without donor restrictions. Additionally, ASU 2016-14 enhanced financial disclosures with respect to board designations, cash needs, cost allocations, and underwater investments, if any. Empower “U” has implemented ASU 2016-14 for its 2019 fiscal year and has adjusted the presentation in these financial statements accordingly.

**EMPOWER “U”, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019**

Note 3 - Liquidity And Availability Of Financial Assets

The following reflects Empower “U”’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Accounts receivable are subject to an implied time restriction but are expected to be collected within one year. The Organization plans to keep cash on hand that are adequate to cover several months of regular operating expenses, and invests any surplus in money market funds.

<u>Description of Assets</u>	<u>Amount</u>
Cash	\$ 721,328
Net patient service receivable	246,728
Grants and contracts receivables	357,871
Other receivable	395,580
Less: restricted by donors with purpose and time restrictions	<u>(11,321)</u>
Financial Assets Available to Meet Cash Needs For General Obligations/Expenditures Within One Year.	<u>\$ 1,710,186</u>

Note 4 — Grants and Contracts Receivable

Grants and contracts receivable have been recorded for costs incurred by Empower “U” which have not yet been reimbursed by the various grantor agencies. A detail of significant grants and contracts receivable are as follows:

<u>Description:</u>	<u>Amount</u>
The Center for Disease Control and Prevention	\$ 31,119
The City of Miami (HOPWA)	24,124
Health Resources and Services Administration (330 & AIMS)	178,075
Health Resources and Services Administration (RW Part C)	34,379
Florida Department of Health (ARTAS)	6,571
Miami-Dade County (RW Part A)	68,379
Florida Department of Health (Test & Treat)	4,815
United Way	<u>10,409</u>
Total Grants and Contracts Receivable	<u>\$ 357,871</u>

Note 5 - Net Patient Services Receivable

Empower “U”’s net patient services receivable consists of receivables from Medicaid, Medicare, self-pay and third-party payors. Net patient services receivable are recorded on the accrual basis of accounting based on services provided, net of contractual allowance and an allowance for doubtful accounts. Net patient services receivable consist of the following at March 31, 2019:

<u>Description:</u>	<u>Amount</u>
Medicaid	\$ 197,980
Medicare	-
Private Insurance	36,754
Contracts	9,567
Self-pay	<u>2,427</u>
Net Patient Service Receivable	<u>\$ 246,728</u>

**EMPOWER “U”, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019**

Note 6 - Property and Equipment

Empower “U”’s property and equipment consist of the following at March 31, 2019:

<u>Description:</u>	<u>Amount</u>	<u>Useful Life</u>
Apartment Building	\$ 415,114	27.5 years
Furniture and Fixtures	52,815	5 - 7 years
Equipment and Software	227,722	5 - 7 years
Leasehold improvements	186,270	10 years
Vehicles	485,268	7-10 years
Total	1,367,189	
Less: Accumulated depreciation and amortization	(404,617)	
Property And Equipment, Net	<u>\$ 962,572</u>	

Depreciation and amortization expense for the year ended March 31, 2019 was \$122,029.

Note 7 - 340B Drug Pricing Program

Empower “U” participates in the 340B “Drug Discount Program” which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Pricing Program is managed by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs. The Organization earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Organization has contracted with several pharmacies who manage the dispensing of these pharmaceuticals to its patients for a dispensing fee. For the year ended March 31, 2019, total revenue and related expenses incurred for the 340B Drug Pricing Program were as follows:

<u>Description:</u>	<u>Amount</u>
Revenue generated	\$ 4,680,835
Pharmaceutical/drugs supplies purchased	\$ 3,126,914
Dispensing and administrative fees incurred	\$ 289,873

The 340B pharmacy revenue from this program is used in furtherance of the Organization’s mission.

Note 8 – Charity Care

Empower “U” is a Federally Qualified Health Center (“FQHC”), which is a type of provider defined by Section 330 of the Public Health Services Act. The Organization provides care to patients utilizing a sliding-fee scale with discounts based on patient family size and income in accordance with federal poverty guidelines. The Organization is open to all, regardless of their ability to pay. The amount not recovered under the sliding-fee scale is not reported as revenue, as it is not expected to be paid. The Organization maintains records to identify and monitor the level of charity care it provides. The amount of charity care provided, based on charges foregone, for the year ended March 31, 2019 was \$281,332.

**EMPOWER “U”, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019**

Note 9 – Net Patient Services Revenue

Empower “U” has agreements with third-party payors that provide for reimbursement to the Organization at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between Empower “U”’s billings at list price and the amounts reimbursed by Medicare, Medicaid and certain other third-party payors, and any differences between estimated third-party reimbursement settlements for prior years and subsequent final settlements. A summary of the basis of reimbursement with major third-party payors follows:

- **Medicare** - The Organization is paid for patient care services rendered to Medicare program beneficiaries primarily under contractual agreement with National Government Services, a fiscal intermediary for Medicare Part A. For the year ended March 31, 2019, Medicare represented approximately 4 percent of net patient service revenue from services provided.
- **Medicaid** - The Organization is paid for patient care services rendered to Medicaid program beneficiaries primarily under contractual agreements with the Florida Department of Health. The Center also received funds from the state's Low Income Pool (LIP). For the year ended March 31, 2019, Medicaid, including the Low Income Pool, represented approximately 71 percent of net patient service revenue from services provided.
- **Other third-party and self-pay**- The Organization has also entered into reimbursement agreements with certain non-Medicaid commercial insurance carriers, health maintenance organizations (“HMO”), and preferred provider organizations (“PPO”). The basis for payment under these agreements includes discounts from established charges and prospectively determined per diem rates. For the year ended March 31, 2019 other third-party insured and self-pay accounts represented approximately 25 percent of net patient service revenue from services provided.

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Organization believes that it is in compliance with all applicable laws and regulations.

Contractual adjustments related to Medicare and Medicaid programs and other allowances, discounts and provisions for bad debts were deducted from patient service charges to arrive at net patient service revenue for the year ended March 31, 2019 as follows:

<u>Description:</u>	<u>Amount</u>
Medicaid	\$ 749,905
Medicare	152,242
Private insurance	174,610
Special contracts	56,160
Self-pay	347,403
Gross Charges	<u>1,480,320</u>
Less: Contractual adjustments and discounts	<u>(668,800)</u>
Net Patient Service Revenue	<u>\$ 811,520</u>

Note 10 – Net Assets With Donor Restrictions

On November 29, 2012, Empower “U” received an interest in real property from a Grantor to house low-income persons. This real property was recorded at its estimated fair value at the time of the transfer, which was estimated to be \$415,114. The asset was recorded as a depreciable asset and had a net book value of \$339,640 at March 31, 2019. Empower “U” must comply with the terms of the rental restrictions placed by the Grantor, which require the units to be rented to low-income persons or persons living with AIDS, as specified, for a period of 30 years. During the year ended March 31, 2019, \$11,321 in expenses was released from net assets with donor restrictions.

EMPOWER “U”, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

Note 11 – Related Party

Empower “U” is a member of Health Choice Network, Inc., (“Network”) a consortium of community health centers organized to improve the quality and quantity of health care services to the medically underserved. These entities are separate corporations, and transactions between them are in accordance with executed agreements. This agreement allows the Network to provide integrated delivery system services, fiscal MIS services, communication and other miscellaneous services to the Organization. Payments to the Network totaled \$153,541 for year ended March 31, 2019. There was an accounts payable balance of \$8,499 owed to the Network as of March 31, 2019.

Note 12 – Concentration

From time to time, Empower “U” maintains its cash in deposit accounts at several financial institutions that may have exceeded the Federal Deposit Insurance Corporation (“FDIC”) limits of \$250,000. Management monitors these balances and believes they do not represent a significant credit risk to the Organization.

The Organization recognized approximately 34% and 51% of its revenue from the U.S. Department of Health and Human Services (“DHHS”) and the 340B Drug Pricing Program, respectively, for the year ended March 31, 2019 as the revenues from DHHS and the 340B Drug Pricing Program are significant to the overall operations of the Organization. Any significant reduction or loss of funding from DHHS and the 340B Drug Pricing Program may affect the Organization's ability to operate in its present form.

Empower “U” grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors is as follows:

<u>Description:</u>	<u>Amount</u>
Medicaid	80%
Medicare	0%
Private insurance	15%
Special contracts	4%
Self-pay	1%
Total	<u>100%</u>

Note 13 – Commitments

Empower “U” leases its corporate and operating facilities under certain long-term lease agreements. Rent expenses for these operating leases for the year ended March 31, 2019 totaled \$222,410. The Organization also leases certain medical and business equipment under long-term lease agreements. Rent expense for these leases approximated \$114,843 for the year ended March 31, 2019.

The following is a schedule of future minimum rental payments required under the operating leases that have initial or remaining non-cancelable lease terms in excess of one year:

<u>Year ended January 31,</u>	<u>Amount</u>
2020	\$ 303,679
2021	293,696
2022	204,571
2023	123,435
2024	40,082
Thereafter	<u>743,534</u>
Total future minimum payments	<u>\$ 1,708,997</u>

EMPOWER “U”, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

Note 14 – Contingencies

Grantors

Empower “U” receives a significant portion of its funding from public grants and contracts. A significant reduction in the level of this funding, if this were to occur, would have an effect on the Organization's ability to carry out its programs and activities. Costs reflected in the accompanying financial statements relating to government funded programs are subject to audit by the Grantors. The possible disallowance by the grantors of any item charged to the program cannot be determined at this time. No provision for any liability that may result has been made in the financial statements.

Pension plan

Empower “U” has a defined contribution pension plan (the Plan) covering substantially all employees meeting certain eligibility requirements. The amount contributed to the Plan is determined by resolution by the Board of Directors. Contributions to the Plan amounted to \$23,335 for the year ended March 31, 2019.

Contract services

Empower “U” has contracted with various funding agencies to perform certain health care services, and receives Medicaid and Medicare revenue from the state and federal governments. Reimbursements received under these contracts and payments from 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 refunding the amounts in question.

Legal

Empower “U” is involved in claims and legal action arising in the ordinary course of business. Management is of the opinion that the ultimate outcome of these matters would not have a material adverse impact on the financial position of the Organization or the results of its operations.

Malpractice

Empower “U” maintains its medical malpractice coverage under the Federal Tort Claims Act (“FTCA”). FTCA provides malpractice coverage to eligible Public Health Service (“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 grantee for malpractice cases approved for FTCA coverage. The Organization maintains gap insurance for claims that are not covered by FTCA.

Regulatory investigation

The U.S. Department of Justice, other federal agencies, and the Florida Department of Public Health routinely conduct regulatory investigations and compliance audits of healthcare providers. Empower “U” is subject to these regulatory efforts. Management is currently unaware of any regulatory matters that may have a material effect on the Organization's financial position or results of operations.

EMPOWER “U”, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

Note 15 - Capital Leases

Empower “U” leases certain Vehicles and medical equipment under leases classified as capital leases. The leased vehicles are amortized on a straight line basis over 6 years and the medical equipment over 5 years with combined monthly payments of approximately \$7,250 with interest rate ranging from 3% to 9.9% and maturity at various dates through December 2023. Total accumulated amortization related to the leased equipment is \$41,745 at March 31, 2019. The following is a schedule showing the future minimum lease payments under capital leases by years and the present value of the minimum lease payments as of March 31, 2019.

Year ended March 31,	Amount
2020	\$ 86,804
2021	86,804
2022	79,384
2023	60,706
Total future minimum payments	313,698
Less: Interest accumulating	(37,036)
Minimum Lease Payments	\$ 276,662

Note 16 - Pending Adoption of New Accounting Standards

The Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) is the sole source of authoritative non-governmental U.S. generally accepted accounting principles.

On March 21, 2019, the FASB issued Accounting Standards Update (ASU) 2019-03, [*Not-for-Profit Entities \(Topic 958\): Updating the Definition of Collections*](#). This ASU specifically addresses the use of proceeds from sales of collections and related disclosures. Collections include groupings of art, historical treasures or similar assets that are:

Held for the public;

- Preserved and protected; and,
- When sold, the proceeds are reserved for specified uses.

Under the clarified definition, proceeds from the sale of collection items can be used either to acquire new items or directly care for existing items already in possession. Previous guidance required proceeds to be used only for the acquisition of additional collections. This change aligns the definition of “collections” with that currently used by the American Alliance of Museums.

ASU 2019-03 further requires an entity to disclose:

- If collection sale proceeds can in fact be used to acquire new items and/or for the direct care of existing collections; and,
- If using those proceeds for direct care is allowed, the entity’s definition of “direct care.”

ASU 2019-03 is effective for financial statements issued for fiscal years beginning after December 15, 2019. Early application of the amendments is permitted. The amendments in ASU 2019-03 should be applied on a prospective basis. Empower “U” is currently evaluating the impact that this guidance will have on its financial statements for the year ended March 31, 2019.

EMPOWER “U”, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

Note 16 - Pending Adoption of New Accounting Standards (Cont’d.)

On June 21, 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2018-08: [*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*](#). This ASU will impact all organizations that receive or make contributions of cash or other assets. The only transactions excluded from this ASU are transfers of assets from government entities to businesses.

This ASU includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. It also provides a framework for determining whether a contribution is conditional or unconditional which will impact the timing of revenue recognition. As a result of this new ASU, not-for-profit organizations will account for more grants/contracts/agreements as contributions, specifically conditional contributions.

This guidance is effective as follows:

1. For transactions in which an entity serves as a resource recipient, the entity should apply the amendments in this Update on contributions received to annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019
2. For transactions in which an entity serves as a resource provider, the entity should apply the amendments in this Update on contributions made to annual periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020.

Empower “U” is currently evaluating the impact that this guidance will have on its financial statements for the year ended March 31, 2019.

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued [*Accounting Standards Update \(ASU\) 2016-02, Leases \(Topic 842\)*](#). Under the new provisions, all lessees will report a right-of-use asset and a liability for the obligation to make payments for all leases with the exception of those leases with a term of 12 months or less. All other leases will fall into one of two categories (1) Financing leases, similar to capital leases, will require the recognition of an asset and liability, measured at the present value of the lease payments; and (2) Operating leases will also require the recognition of an asset and liability measured at the present value of the lease payments. The guidance is effective for periods beginning after December 15, 2018 for public entities, and for periods beginning after December 15, 2019 for nonpublic entities. Early application is permitted. Empower “U” is currently evaluating the impact that this guidance will have on its financial statements for the year ended March 31, 2019.

SUPPLEMENTARY INFORMATION

EMPOWER "U", INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2019

FEDERAL/STATE AGENCY AND PASS-THROUGH ENTITY	DATES OF SERVICE	CFDA NUMBER	CONTRACT NUMBER	EXPENDITURES	SUB-RECIPIENTS
U.S. Department of Health And Human Services:					
Center for Disease Control and Prevention - HIV Prevention Activities Non-Governmental Organization Based	(07/01/2017 - 06/30/2018)	93.939	5 NU65PS004938-03-00	\$ 38,854	\$ -
	(07/01/2018 - 06/30/2019)	93.939	5 NU65PS004938-04-00	285,417	-
				<u>324,271</u>	<u>-</u>
Consolidated Health Centers, And ACA* Grants For New And Expanded Service Under the Health Center Program	(02/01/2018 - 01/31/2019)	93.224/93.527	6 H80CS26590-05-05	1,455,430	-
	(02/01/2019 - 01/31/2020)	93.224/93.527	6 H80CS26590-06-04	193,555	-
				<u>1,648,985</u>	<u>-</u>
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease - Ryan White HIV/AIDS Program Part C Capacity Development Program	(05/01/2018 - 04/30/2019)	93.918	6 H76HA31744-01-01	349,456	-
Pass-Through Florida Department of Health:					
For Centers For Disease Control And Prevention- HIV Prevention Activities Health Department Based: High Impact Prevention (HIP)	(01/01/2018 - 12/31/2018)	93.940	CODNM	275,476	-
	(01/01/2019 - 12/31/2019)	93.940	CODNM	75,619	-
				<u>351,095</u>	<u>-</u>
For Health Resources And Services Administration- HIV Care Formula Grants: Minority AntiRetroviral Treatment And Access to Services (ARTAS)	(04/01/2018 - 04/31/2019)	93.917	CODKR	144,465	-
Total Pass-Through Florida Department of Health				<u>144,465</u>	<u>-</u>
Pass-Through Miami Dade County, Florida:					
HIV Emergency Relief Grants: Ryan White Part A/Minority AIDS Initiative	(03/01/2018 - 02/28/2019)	93.914	BU3EMP28	278,542	-
	(03/01/2019 - 02/28/2020)	93.914	BU3EMP29	32,286	-
Total Pass-Through Miami Dade County, Florida				<u>310,828</u>	<u>-</u>
Total U.S. Department Of Health And Human Services				<u>3,129,100</u>	<u>-</u>
U.S. Department of Housing And Urban Development:					
Pass-Through City of Miami, Florida Housing Opportunities for Persons With AIDS (HOPWA)	(10/01/2017 - 09/30/2018)	14.241	91-03611/91-03610	211,507	-
	(10/01/2018 - 09/30/2019)	14.241	91-03669/91-03668	196,553	-
Total Pass-Throug City of Miami, Florida				<u>408,060</u>	<u>-</u>
Total Expenditures Of Federal Awards				<u>\$ 3,537,160</u>	<u>\$ -</u>

*Affordable Care Act

(See accompanying notes to the schedule of Federal Awards.)

EMPOWER "U", INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2019

Note 1 - Bases of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Empower "U", Inc. (Empower "U"/Organization) under programs of the federal government for the year ended March 31, 2019. 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), (formerly OMB Circular A-133). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Note 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 limited as to reimbursement. Negative amounts shown on the Schedule represent adjusts or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3 - Indirect Cost Rate

Empower "U" has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance for certain grants that allow the use of the 10% de minimis indirect cost rate.

Note 4 - Major Federal Programs

Empower "U" had two major federal programs audited during the year ended March 31, 2019 as follows:

<u>Federal Program Description</u>	<u>Federal CFDA #</u>	<u>Expenditures</u>
Health Centers Cluster	93.224/93.957	\$ 1,648,985
HIV Emergency Relief Grants: Ryan White Part A	93.914	<u>310,828</u>
Total Major Program Expenditures		<u>\$ 1,959,813</u>

Total major program expenditures represent 55% of total expenditures of federal awards for the year ended March 31, 2019.

Note 5 - Contingency

The grant/contract revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor/contracting agencies as a result of such an audit, any claim for reimbursement to the grantor/contracting agencies would become a liability of Empower "U". In the opinion of management, all grant expenditures are in compliance with the terms of the grant/contract agreements and applicable Federal and state laws and other applicable regulations.

COMPLIANCE SECTION



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**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
Empower "U", Inc.
Miami, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Empower "U", Inc., (Empower "U"), which comprise the balance sheet as of March 31, 2019, and the related statements of operations and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Empower "U"'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 Empower "U"'s internal control. Accordingly, we do not express an opinion on the effectiveness of Empower "U"'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of finding and questioned costs that we consider to be significant deficiencies as items **2019-001 and 2019-002**.

Independent Auditor's Report (Cont'd.)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Empower "U"'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.

We noted certain matters that we have reported to management of Empower "U" in a separate letter dated December 23, 2019.

Empower "U"'s Response to Findings

Empower "U"'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Empower "U"'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Empower "U"'s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Empower "U"'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RLMolina, LLC.

December 23, 2019
Hollywood, Florida



RLMolina, LLC

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Independent Auditor's 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
Empower "U", Inc.
Miami, Florida

Report on Compliance for Each Major Federal Program

We have audited Empower "U", Inc., (Empower "U"), compliance with the types of compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, that could have a direct and material effect on each of Empower "U"'s major Federal programs for the year ended March 31, 2019. Empower "U"'s major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Empower "U"'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 Empower "U"'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 Empower "U"'s compliance.

Opinion on Each Major Federal Program

In our opinion, Empower "U", Inc. 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 March 31, 2019.

Independent Auditor's Report (Cont'd.)

Report on Internal Control Over Compliance

Management of Empower "U" 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 Empower "U"'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 Empower "U"'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 as combination of deficiencies, in internal control over compliance with the 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.

Purpose of this Report

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.

RLMolina, LLC.

December 23, 2019
Hollywood, Florida



RLMolina, LLC

Certified Public Accountants & Business Advisors

**EMPOWER "U", INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2019**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified Opinion

Internal control over financial reporting:

- Material weakness(es) identified? ___Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? X Yes ___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 that are not considered to be material weakness(es)? ___Yes X None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) of Uniform Guidance? ___Yes X No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	US Department of Health and Human Services:
93.527 & 93.224	Health Centers Cluster
93.914	HIV Emergency Relief Grants: Ryan White Part A

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

Auditee qualified as low-risk auditee? ___Yes X No

**EMPOWER “U”, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT’D.)
FOR THE YEAR ENDED MARCH 31, 2019**

Section II – Current Year Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

Finding 2019 – 001: General Ledger System Not Properly Maintained

Finding Type: Significant Deficiency

Condition:

During our review of the general ledger system, some of the 2018 audit adjustments were not posted to the correct accounts in the general ledger. This led to time consuming audit reclassifications and adjustments. Additionally, we noticed several transactions involving balance sheet accounts were incorrectly posted and or coded.

Possible Asserted Criteria:

The general ledger system is the accounting system of Empower “U” where all financial transactions are recorded. A properly functioning and or maintained system provides the decision makers (key management and the Board of Directors) with financial information that is sound and reliable that will enable them to make critical decisions.

Possible Asserted Cause:

General ledger accountant did not possess the necessary accounting and reporting skills to ensure accurate accounting and reporting. Additionally, oversight by the CFO was, in some cases, insufficient.

Possible Asserted Effect:

The accounting and reporting process would be flawed if the general ledger system is not properly maintained. Hence, the true financial condition/position of Empower “U” would be obscured at any given point. This means management and the decision makers on the Board will be restricted from making adequate and timely decisions due to incomplete and inaccurate data.

Recommendation:

We recommend Empower “U” to assess and subsequently strengthen its fiscal policy and procedures process to allow for a correct and timely maintenance of its general ledger system. The designated general ledger accounting personnel should be properly trained to understand the concept of accrual with an emphasis on transactions cutoff, the importance of coding, the difference in classifications between certain liability and related expense accounts and how to record them correctly and timely. Additionally, a review process should be carried out by senior accountant and or CFO to avoid many yearend adjustments/reclassifications.

Views of Responsible Official and Corrective Action:

In the last quarter of the fiscal year ending March 2019, Empower “U” hired a direct employee (FTE) for the CFO position, to provide daily direct oversight of all financial transactions and financial operations of the organization. In addition, the following improvements were made within the first two (2) quarters of the current fiscal year ending March 2020. These improvements are as follow but not limited to continuing improvements of controls and training:

1. Implementation of a more robust accounting system (Sage 300 Accounting System) to strengthen the accounting and reporting process on monthly general ledger reporting.

**EMPOWER “U”, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT’D.)
FOR THE YEAR ENDED MARCH 31, 2019**

Section II – Current Year Financial Statement Findings (Cont’d.)

Finding 2019 – 001: General Ledger System Not Properly Maintained (Cont’d.)

Views of Responsible Official and Corrective Action: (Cont’d.)

2. Newly hired Senior Accountant (FTE) to replace Contracted Accountant and other accounting personnel were trained properly on general ledger reporting process to improve on monthly accurate and timely financial reporting of Empower U, Inc. In addition, all accounting personnel were trained properly on the new Sage 300 Accounting System by Sage personnel. The training consisted of the Accounting Software Modules such as Accounts Payable, Account Receivables, Bank Services, and General Ledger Reporting processes. Additional ongoing support is provided by Sage personnel on the Sage Accounting Software System to Empower “U” accounting personnel after completion of training.
3. Implementation of new COA – Chart of Accounts by account segment was put in place, this allows accounting personnel to record, track, monitor, adjust/reclassify, and reconcile general ledger transactions and general ledger accounts monthly for each funding stream more accurately and timely.

Additionally, during each fiscal year, Empower “U” reviews and or revises its financial policies and procedures. Continuous annual reviews/revisions to its financial policies and procedures would be made accordingly

**EMPOWER “U”, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT’D.)
FOR THE YEAR ENDED MARCH 31, 2019**

Section II – Current Year Financial Statement Findings (Cont’d.)

Finding 2019-002: Improper Cash Handling and Uses of Cash on Hand

Finding Type: Significant Deficiency

Condition:

During our examination of patient service revenue, we noticed several cash deposits received from the clinic were kept on hand for extended durations rather than being deposited immediately into the bank. Some of the cash were used to replenish the petty cash account.

This finding is a repeated finding from the previous audit (**Finding - 2018-001**).

Possible Asserted Criteria:

Pursuant to Empower “U”’s fiscal policies and procedures, clinic cash should be deposited immediately in the bank. These cash should be accounted separately and not commingled with the petty cash.

Possible Asserted Cause:

There was ineffective management oversight over proper handling and uses of cash on hand.

Possible Asserted Effect:

Cash may be misappropriated or misapplied.

Recommendation:

We recommend Empower “U”, Inc. to review and strengthen its policies and procedures for cash handling and uses of cash on hand and implement the necessary additional controls, where necessary. The Organization should also implement appropriate oversight of these controls.

View of Responsible Officials and Planned Corrective Actions:

The misappropriation of cash occurred on April 2, 2018 during the tenure of the previous fiscal administration. Empower “U” is currently under a new senior finance team who is charged with review, revision, and improvement of controls across the Organization. Management is working closely to remedy any and all deficiencies identified.

During current fiscal year ending March 31, 2020, Empower “U” implemented a vault system with a third party financial entity whereby all daily cash received from the clinic are deposited. Currently, cash is reconciled and deposited daily into the vault system (CompuSafe) and as a result, posted to the operating cash account by the banking institution at the time of deposit. Management also revised financial policies and procedures to clarify the procedures for receiving, documenting and recording cash receipts.

**EMPOWER “U”, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT’D.)
FOR THE YEAR ENDED MARCH 31, 2019**

Section III – Current Year Federal Awards Findings and Questioned Costs

No significant deficiencies or material weaknesses identified.

Section IV – Status of Financial Statements Findings of Prior Audits

Finding 2018-001: Improper Cash Handling and Uses of Cash on Hand.

Condition:

Empower “U”, Inc. violated its policies and procedures for handling of cash collected from patients (i.e. clinic cash) and petty cash. Clinic cash was improperly kept on hand for extended durations rather than being immediately deposited into the bank. In addition, clinic cash was improperly used as petty cash. Further, payroll advances were regularly paid out of petty cash despite being prohibited by the Organization’s policies and procedures.

Current Year Status:

Empower “U” did not take all the necessary corrective actions to remove this finding during March 31, 2019. See **Current Year Finding – 2019-001**.

Finding 2018-002: Failure to Properly Record Accounts Payable

Condition:

Empower “U”, Inc. did not include all outstanding liabilities incurred as of March 31, 2018 within its statement of financial position.

Current Year Status:

Empower “U” did make all the necessary corrective actions to remove this finding during March 31, 2019. Hence, this finding is no longer applicable.

Finding 2018-003: Improper Void Check Procedures

Condition:

Empower “U”, Inc. did not maintain proper controls with regard to voided checks. Voided checks were not removed from bank reconciliations and were improperly included in account balances.

Current Year Status:

Empower “U” did make all the necessary corrective actions to remove this finding during March 31, 2019. Hence, this finding is no longer applicable.

Finding 2018-004: Failure to Obtain Board Approval for Bonuses

Condition:

During the year ended March 31, 2018, management made a bonus payment to the employees of the Organization without approval from the Board of Directors.

Current Year Status:

Empower “U” did make all the necessary corrective actions to remove this finding during March 31, 2019. Hence, this finding is no longer applicable.

**EMPOWER “U”, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT’D.)
FOR THE YEAR ENDED MARCH 31, 2019**

Section IV – Status of Financial Statements Findings of Prior Audits (Cont’d.)

Finding 2018-005: Inadequate Controls Around Payroll-Related Documentation and Cash Receipts.

Condition:

Empower “U”, Inc. did not maintain proper controls around payroll-related documentation and cash receipts. In selected instances, management was unable to provide evidence of current salary and wage levels for employees in the form of approved pay authorizations. Time cards did not always have evidence of a supervisor’s approval as required by Empower “U”’s policies and procedures.

Additionally, there was a lapse in control documentation around cash receipts. Management was unable to provide deposit slip support linking the cash receipts to amounts that were deposited in the bank account.

Current Year Status:

Empower “U” did make all the necessary corrective actions to remove this finding during March 31, 2019. Hence, this finding is no longer applicable.

Finding 2018-007: Overbilling of Program Expenses to Federal Agency

Condition:

Empower “U” Inc. overbilled one of its federal granting agencies in a previous fiscal year. The Organization improperly requested and received grant funds in excess of the federal grant award. Further, upon receiving notice of the overbilling from the federal agency, the Organization failed to accrue the repayment of the overbilling in the proper fiscal year.

Current Year Status:

Empower “U” did make all the necessary corrective actions to remove this finding during March 31, 2019. Hence, this finding is no longer applicable.

Section V – Status of Federal Awards Findings of Prior Audits

Finding 2018-006: Non-Compliance With Board Composition

Condition:

The demographics of Empower “U”, Inc.’s Board of Directors were not in compliance with the requirements set forth by the Health Resources and Services Administration (HRSA) under the terms of its grant awards.

Current Year Status:

Empower “U” did make all the necessary corrective actions to remove this finding during March 31, 2019. Hence, this finding is no longer applicable.

Section VI – Management Letter Findings

See management report dated December 23, 2019.