



**FINANCIAL STATEMENTS IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS AND  
UNIFORM GUIDANCE  
JUNE 30, 2019 AND 2018**

**THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC.**

Contents  
June 30, 2019 and 2018

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**Unmodified Opinion on Financial Statements Accompanied  
By Other Information – Not-For-Profit Entity**

Independent Auditor's Report

To the Board of Directors of  
The Boston Health Care for the Homeless Program, Inc.:

**Report on the Financial Statements**

We have audited the accompanying financial statements of The Boston Health Care for the Homeless Program, Inc. (a Massachusetts corporation, not for profit) (the Agency) which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Boston Health Care for the Homeless Program, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2019, as required by Title 2 U.S. Code of Federal Regulations (CFR) 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 November 12, 2019, on our consideration of the Agency'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 solely 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 effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



Boston, Massachusetts  
November 12, 2019

**THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC.**

Statements of Financial Position  
June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Assets</b>						
Current Assets:						
Cash	\$ 7,084,635	\$ 1,676,410	\$ 8,761,045	\$ 7,190,736	\$ 1,902,093	\$ 9,092,829
Patient services receivable, net of allowance for doubtful accounts of \$659,662 and \$1,034,263 as of June 30, 2019 and 2018, respectively	4,489,629	-	4,489,629	3,369,781	-	3,369,781
Contract, grant and other receivables	1,630,978	-	1,630,978	1,687,244	-	1,687,244
Pledges receivable	81,292	-	81,292	132,552	-	132,552
Inventory	628,268	-	628,268	675,454	-	675,454
Prepaid expenses and deposits	392,088	-	392,088	335,519	-	335,519
Total current assets	14,306,890	1,676,410	15,983,300	13,391,286	1,902,093	15,293,379
Investments	23,512,554	8,018,048	31,530,602	22,888,202	7,814,001	30,702,203
Property and Equipment, net	28,984,241	-	28,984,241	29,730,748	-	29,730,748
Total assets	\$ 66,803,685	\$ 9,694,458	\$ 76,498,143	\$ 66,010,236	\$ 9,716,094	\$ 75,726,330
<b>Liabilities and Net Assets</b>						
Current Liabilities:						
Accounts payable	\$ 946,234	\$ -	\$ 946,234	\$ 1,373,639	\$ -	\$ 1,373,639
Accrued expenses	5,056,977	-	5,056,977	4,086,704	-	4,086,704
Total current liabilities	6,003,211	-	6,003,211	5,460,343	-	5,460,343
Contingent Notes Payable	1,690,621	-	1,690,621	2,220,882	-	2,220,882
Total liabilities	7,693,832	-	7,693,832	7,681,225	-	7,681,225
Net Assets:						
Without donor restrictions:						
Operating	8,303,679	-	8,303,679	7,930,943	-	7,930,943
Board designated - investments	23,512,554	-	23,512,554	22,888,202	-	22,888,202
Property and equipment	27,293,620	-	27,293,620	27,509,866	-	27,509,866
Total without donor restrictions	59,109,853	-	59,109,853	58,329,011	-	58,329,011
With donor restrictions:						
Endowment	-	8,018,048	8,018,048	-	7,814,001	7,814,001
Program activity	-	1,676,410	1,676,410	-	1,902,093	1,902,093
Total net assets with donor restrictions	-	9,694,458	9,694,458	-	9,716,094	9,716,094
Total net assets	59,109,853	9,694,458	68,804,311	58,329,011	9,716,094	68,045,105
Total liabilities and net assets	\$ 66,803,685	\$ 9,694,458	\$ 76,498,143	\$ 66,010,236	\$ 9,716,094	\$ 75,726,330

The accompanying notes are an integral part of these statements.

**THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC.**

Statements of Activities and Changes in Net Assets  
For the Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenues:</b>						
Net patient service revenue	\$ 41,539,195	\$ -	\$ 41,539,195	\$ 39,142,758	\$ -	\$ 39,142,758
Grants and contributions	4,656,813	2,408,902	7,065,715	4,534,046	2,741,577	7,275,623
Contract revenue	6,407,239	-	6,407,239	6,305,171	-	6,305,171
Investment return appropriated for operations	1,120,000	-	1,120,000	1,052,000	-	1,052,000
Interest income and other	283,285	-	283,285	151,250	-	151,250
Net assets released from program restrictions	2,708,918	(2,708,918)	-	2,942,808	(2,942,808)	-
Total support and revenues	56,715,450	(300,016)	56,415,434	54,128,033	(201,231)	53,926,802
<b>Operating Expenses:</b>						
McInnis Medical Respite	22,093,270	-	22,093,270	20,705,339	-	20,705,339
Adult Outreach	12,819,826	-	12,819,826	10,453,501	-	10,453,501
Boston Medical Center Clinic	6,140,693	-	6,140,693	5,197,158	-	5,197,158
Family Team	1,274,726	-	1,274,726	1,305,164	-	1,305,164
Mental Health	3,740,382	-	3,740,382	3,282,819	-	3,282,819
Dental Services	1,951,953	-	1,951,953	1,895,235	-	1,895,235
The Institute	278,108	-	278,108	231,028	-	231,028
Pharmacy	6,430,038	-	6,430,038	9,420,574	-	9,420,574
Development	1,809,631	-	1,809,631	1,584,524	-	1,584,524
Total operating expenses	56,538,627	-	56,538,627	54,075,342	-	54,075,342
Changes in net assets from operations	176,823	(300,016)	(123,193)	52,691	(201,231)	(148,540)
<b>Non-Operating Revenues (Expenses):</b>						
Investment return, net of investment fees	1,381,352	496,047	1,877,399	1,541,162	525,232	2,066,394
Capital grant	-	125,000	125,000	-	150,000	150,000
Net assets released from capital restrictions	50,667	(50,667)	-	97,063	(97,063)	-
Investment return appropriated for operations	(828,000)	(292,000)	(1,120,000)	(757,000)	(295,000)	(1,052,000)
Total non-operating revenues (expenses)	604,019	278,380	882,399	881,225	283,169	1,164,394
Changes in net assets	780,842	(21,636)	759,206	933,916	81,938	1,015,854
<b>Net Assets, beginning of year</b>	58,329,011	9,716,094	68,045,105	57,395,095	9,634,156	67,029,251
<b>Net Assets, end of year</b>	\$ 59,109,853	\$ 9,694,458	\$ 68,804,311	\$ 58,329,011	\$ 9,716,094	\$ 68,045,105

The accompanying notes are an integral part of these statements.

**THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC.**

Statements of Cash Flows  
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 759,206	\$ 1,015,854
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,439,172	1,348,017
Net realized and unrealized gains on investments	(1,446,170)	(1,682,263)
Bad debt	378,536	87,868
Capital grant	(125,000)	(150,000)
Forgiveness of debt	(530,261)	(431,237)
Changes in operating assets and liabilities:		
Patient services receivable	(1,498,384)	884,386
Contract, grant and other receivables	56,266	(380,553)
Pledges receivable	51,260	(1,000)
Inventory	47,186	(234,182)
Prepaid expenses and deposits	(56,569)	101,395
Accounts payable	(427,405)	497,821
Accrued expenses	970,273	513,447
Net cash provided by (used in) operating activities	<u>(381,890)</u>	<u>1,569,553</u>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of property and equipment	(692,665)	(587,724)
Purchase of investments and reinvested investment return	(684,900)	(739,755)
Proceeds from sale of investments	1,302,671	1,407,624
Net cash provided by (used in) investing activities	<u>(74,894)</u>	<u>80,145</u>
<b>Cash Flows from Financing Activities</b>		
Capital grant	125,000	150,000
Proceeds from contingent note	-	495,120
Net cash provided by financing activities	<u>125,000</u>	<u>645,120</u>
<b>Net Change in Cash</b>	<u>(331,784)</u>	<u>2,294,818</u>
<b>Cash:</b>		
Beginning of year	<u>9,092,829</u>	<u>6,798,011</u>
End of year	<u>\$ 8,761,045</u>	<u>\$ 9,092,829</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Unrealized gain (loss) on investments	<u>\$ (344,645)</u>	<u>\$ 1,590,047</u>

**THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC.**

Statement of Functional Expenses

For the Year Ended June 30, 2019

(With Summarized Comparative Totals for the Year Ended June 30, 2018)

	2019										2018	
	McInnis Medical Respite	Adult Outreach	Boston Medical Center Clinic	Family Team	Mental Health	Dental Services	The Institute	Pharmacy	Development	General and Adminis- trative	Total	Total
<b>Personnel and Related:</b>												
Salaries	\$ 11,313,474	\$ 6,873,163	\$ 3,583,073	\$ 700,142	\$ 2,193,948	\$ 950,500	\$ 60,910	\$ 154,001	\$ 770,151	\$ 5,096,957	\$ 31,696,319	\$ 28,697,641
Fringe benefits	1,751,032	1,067,390	538,670	77,226	347,508	196,630	641	21,227	121,153	1,153,298	5,274,775	4,673,977
Payroll taxes	886,016	535,879	263,000	54,961	162,357	67,367	4,516	11,962	59,840	492,234	2,538,132	2,329,158
Contracted services	81,588	619,754	48,763	-	73,842	-	83,121	1,078,073	-	-	1,985,141	1,980,527
Malpractice insurance	-	-	-	-	-	-	-	-	-	73,815	73,815	82,217
Total personnel and related	14,032,110	9,096,186	4,433,506	832,329	2,777,655	1,214,497	149,188	1,265,263	951,144	6,816,304	41,568,182	37,763,520
<b>Occupancy:</b>												
Contracted services - security	747,525	7,778	92,424	-	-	-	-	-	739	20,421	868,887	787,884
Building maintenance and repairs	280,600	11,219	33,457	3,303	4,417	16,530	2,261	2,871	19,452	88,194	462,304	434,108
Utilities	362,553	250	20,647	2,123	1,707	6,119	1,374	2,539	2,581	62,394	462,287	497,176
Facilities rent	4,491	55,000	-	6,503	-	774	-	-	176	135,951	202,895	137,024
Total occupancy	1,395,169	74,247	146,528	11,929	6,124	23,423	3,635	5,410	22,948	306,960	1,996,373	1,856,192
<b>Other:</b>												
Pharmacy supplies	50,647	520	-	-	-	-	-	3,861,764	-	-	3,912,931	6,148,653
Purchased services	239,741	296,308	11,682	64,820	37,489	119,385	56,380	580	321,975	964,178	2,112,538	1,853,679
Equipment rental and maintenance	384,067	435,430	30,781	15,357	86,873	58,828	5,760	6,080	63,103	552,075	1,638,354	1,684,206
Medical supplies	275,933	128,569	73,778	8,301	6,827	69,474	-	767	-	66,567	630,216	601,485
Patient food and supplies	473,190	53,466	25,376	1,589	15,047	8	-	-	-	900	569,576	637,610
Miscellaneous	58,319	51,052	19,132	28,853	4,660	1,509	93	59,476	82,429	252,264	557,787	598,646
Communication costs	74,013	54,210	19,949	15,979	9,231	3,525	3,383	1,065	1,480	249,315	432,150	353,152
Staff conferences and travel	38,209	73,921	25,375	14,872	15,223	4,562	-	500	12,511	244,857	430,030	310,328
Bad debt	107,603	71,360	52,733	6,480	56,799	54,051	-	29,510	-	-	378,536	87,868
Patient transportation	166,209	78,983	37,315	20,481	21,499	1,330	-	-	40	275	326,132	283,567
Office supplies	21,445	19,427	4,867	1,568	2,189	1,548	809	693	5,354	153,403	211,303	217,141
Insurance	90,227	-	17,030	-	-	-	-	-	-	84,702	191,959	184,653
Professional fees	-	-	-	-	-	-	-	-	-	143,388	143,388	146,625
Total other	1,979,603	1,263,246	318,018	178,300	255,837	314,220	66,425	3,960,435	486,892	2,711,924	11,534,900	13,107,613
Total expenses before depreciation and general and administrative allocation	17,406,882	10,433,679	4,898,052	1,022,558	3,039,616	1,552,140	219,248	5,231,108	1,460,984	9,835,188	55,099,455	52,727,325
<b>Depreciation</b>	601,744	15,994	107,338	16,494	9,237	38,932	7,443	10,133	14,079	617,778	1,439,172	1,348,017
Total expenses before general and administrative allocation	18,008,626	10,449,673	5,005,390	1,039,052	3,048,853	1,591,072	226,691	5,241,241	1,475,063	10,452,966	56,538,627	54,075,342
<b>General and Administrative Allocation</b>	4,084,644	2,370,153	1,135,303	235,674	691,529	360,881	51,417	1,188,797	334,568	(10,452,966)	-	-
Total expenses	\$ 22,093,270	\$ 12,819,826	\$ 6,140,693	\$ 1,274,726	\$ 3,740,382	\$ 1,951,953	\$ 278,108	\$ 6,430,038	\$ 1,809,631	\$ -	\$ 56,538,627	\$ 54,075,342

The accompanying notes are an integral part of these statements.



THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC.

Statement of Functional Expenses  
For the Year Ended June 30, 2018

	<u>McInnis Medical Respite</u>	<u>Adult Outreach</u>	<u>Boston Medical Center Clinic</u>	<u>Family Team</u>	<u>Mental Health</u>	<u>Dental Services</u>	<u>The Institute</u>	<u>Pharmacy</u>	<u>Development</u>	<u>General and Adminis- trative</u>	<u>Total</u>
<b>Personnel and Related:</b>											
Salaries	\$10,894,094	\$5,844,032	\$2,995,126	\$691,262	\$2,007,383	\$977,407	\$27,094	\$129,060	\$650,599	\$4,481,584	\$ 28,697,641
Fringe benefits	1,637,350	936,473	483,376	117,623	329,172	193,568	3,296	15,662	81,059	876,398	4,673,977
Payroll taxes	862,589	461,211	232,902	54,423	149,934	72,833	2,462	9,542	51,224	432,038	2,329,158
Contracted services	81,588	441,828	-	-	74,292	-	80,763	1,286,305	-	15,751	1,980,527
Malpractice insurance	-	-	-	-	-	-	-	-	-	82,217	82,217
Total personnel and related	<u>13,475,621</u>	<u>7,683,544</u>	<u>3,711,404</u>	<u>863,308</u>	<u>2,560,781</u>	<u>1,243,808</u>	<u>113,615</u>	<u>1,440,569</u>	<u>782,882</u>	<u>5,887,988</u>	<u>37,763,520</u>
<b>Occupancy:</b>											
Contracted services - security	646,906	3,708	124,456	-	-	-	-	-	881	11,933	787,884
Building maintenance and repairs	283,538	9,937	31,575	3,022	2,474	8,949	1,930	2,626	17,013	73,044	434,108
Utilities	392,211	271	22,393	2,302	1,850	6,637	1,489	2,754	2,799	64,470	497,176
Facilities rent	3,577	-	-	3,173	-	58	-	-	-	130,216	137,024
Total occupancy	<u>1,326,232</u>	<u>13,916</u>	<u>178,424</u>	<u>8,497</u>	<u>4,324</u>	<u>15,644</u>	<u>3,419</u>	<u>5,380</u>	<u>20,693</u>	<u>279,663</u>	<u>1,856,192</u>
<b>Other:</b>											
Pharmacy supplies	33,149	688	-	-	-	-	-	6,114,816	-	-	6,148,653
Purchased services	229,203	371,308	10,523	73,618	7,840	125,350	57,741	454	311,151	666,491	1,853,679
Equipment rental and maintenance	128,055	37,537	25,665	8,170	2,629	19,749	831	5,180	36,393	1,419,997	1,684,206
Medical supplies	241,788	128,299	74,954	8,030	3,019	71,900	-	-	-	73,495	601,485
Patient food and supplies	500,737	79,685	24,536	11,891	14,245	4	-	-	4,194	2,318	637,610
Miscellaneous	24,867	16,048	8,436	18,820	13,426	4,060	718	93,316	110,704	308,251	598,646
Communication costs	62,233	47,368	18,873	16,429	9,574	3,087	3,360	933	1,296	189,999	353,152
Staff conferences and travel	27,545	50,856	17,189	18,680	19,191	5,340	50	-	5,885	165,592	310,328
Bad debt	26,210	8,082	12,267	2,477	14,906	17,781	-	6,145	-	-	87,868
Patient transportation	160,002	57,665	28,829	21,389	13,711	1,330	-	-	-	641	283,567
Office supplies	29,832	19,312	5,485	1,007	2,842	490	1,276	1,135	3,636	152,126	217,141
Insurance	28,820	32	13,256	-	-	-	-	-	794	141,751	184,653
Professional fees	-	-	-	-	-	-	-	-	-	146,625	146,625
Total other	<u>1,492,441</u>	<u>816,880</u>	<u>240,013</u>	<u>180,511</u>	<u>101,383</u>	<u>249,091</u>	<u>63,976</u>	<u>6,221,979</u>	<u>474,053</u>	<u>3,267,286</u>	<u>13,107,613</u>
Total expenses before depreciation and general and administrative allocation	<u>16,294,294</u>	<u>8,514,340</u>	<u>4,129,841</u>	<u>1,052,316</u>	<u>2,666,488</u>	<u>1,508,543</u>	<u>181,010</u>	<u>7,667,928</u>	<u>1,277,628</u>	<u>9,434,937</u>	<u>52,727,325</u>
<b>Depreciation</b>	<u>580,716</u>	<u>5,344</u>	<u>105,883</u>	<u>11,403</u>	<u>9,035</u>	<u>36,088</u>	<u>7,280</u>	<u>9,912</u>	<u>13,771</u>	<u>568,585</u>	<u>1,348,017</u>
Total expenses before general and administrative allocation	<u>16,875,010</u>	<u>8,519,684</u>	<u>4,235,724</u>	<u>1,063,719</u>	<u>2,675,523</u>	<u>1,544,631</u>	<u>188,290</u>	<u>7,677,840</u>	<u>1,291,399</u>	<u>10,003,522</u>	<u>54,075,342</u>
<b>General and Administrative Allocation</b>	<u>3,830,329</u>	<u>1,933,817</u>	<u>961,434</u>	<u>241,445</u>	<u>607,296</u>	<u>350,604</u>	<u>42,738</u>	<u>1,742,734</u>	<u>293,125</u>	<u>(10,003,522)</u>	<u>-</u>
Total expenses	<u>\$ 20,705,339</u>	<u>\$ 10,453,501</u>	<u>\$ 5,197,158</u>	<u>\$ 1,305,164</u>	<u>\$ 3,282,819</u>	<u>\$ 1,895,235</u>	<u>\$ 231,028</u>	<u>\$ 9,420,574</u>	<u>\$ 1,584,524</u>	<u>\$ -</u>	<u>\$ 54,075,342</u>

The accompanying notes are an integral part of these statements.

## THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC.

Notes to Financial Statements  
June 30, 2019 and 2018

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### 1. OPERATIONS AND NONPROFIT STATUS

The Boston Health Care for the Homeless Program, Inc. (the Agency) provides primary and episodic care, addiction, and mental health services utilizing multidisciplinary teams of MDs, NPs, PAs, RNs, behavioral health professionals, and case managers/community support workers. In addition, the Agency provides dental care and medical respite services to homeless persons in the Greater Boston, Massachusetts area.

The Agency is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Agency is also exempt from state income taxes. Donors may deduct contributions made to the Agency within IRC requirements.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The Agency prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

#### Recently Adopted Accounting Pronouncement

In fiscal year 2019, the Agency adopted FASB's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Agency has adjusted the presentation of these financial statements accordingly. The adoption of this ASU did not impact the Agency's net asset classes, results of operations, or cash flows for the year ended June 30, 2018. This ASU has been applied retrospectively to all periods presented. This ASU provides an option to omit the disclosures about liquidity and availability of resources for the fiscal year 2018 financial statements.

#### Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Expense Allocations

Expenses related directly to a program or function are distributed to that program or function, while other expenses are allocated to program or functions based upon management's estimate of the percentage attributable to each program or function.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are personnel and related costs, which are allocated on the basis of estimates of time and effort; occupancy costs and depreciation, which are allocated on a square footage basis; all other costs are allocated based on usage studies conducted annually.

## THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC.

Notes to Financial Statements  
June 30, 2019 and 2018

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Patient Services Receivable and Allowance for Doubtful Accounts

Patient services receivable is recorded net of contractual allowances (see page 10) and an allowance for doubtful accounts. Management estimates the allowance for doubtful accounts based on an analysis of specific accounts and payers. Accounts are written off when they are determined to be uncollectible.

#### Contract, Grant and Other Receivables

The Agency carries its contract, grant and other receivables at net realizable value. Contract, grant and other receivables are expected to be collected in the subsequent year. The Agency evaluates its receivables and establishes an allowance for doubtful accounts based on collections experience and current audit conditions. During the years ended June 30, 2019 and 2018, there was no allowance recorded as all receivables were deemed to be collectable.

#### Pledges Receivable

Pledges receivable consist of unconditional contributions committed to the Agency. Pledges are recorded at their net present value when unconditionally committed. As of June 30, 2019 and 2018, all pledges were due within one year.

#### Inventory

Inventory consists of medicine and medical supplies from an in-house pharmacy. This inventory is accounted for at the lower of cost (as determined by the first-in, first-out method) or market.

#### Property and Equipment and Depreciation

Property and equipment with estimated useful lives in excess of one year and values greater than \$5,000 are capitalized at cost. Donated property and equipment are recorded at fair value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings and leasehold improvements	20 - 39 years
EPIC Software	10 years
Equipment and furnishings	3 - 7 years
Vehicles	5 years

The Agency accounts for the carrying value of their long-lived assets in accordance with the requirements of ASC Topic, *Property, Plant and Equipment*. As of June 30, 2019 and 2018, the Agency has not recognized any reduction in the carrying value of their property and equipment when considering this requirement.

#### Investments

Investments consist of the Agency's holdings of marketable securities held for purposes of financial returns. The Agency records investments at fair value (see page 9). Investment income is recorded as earned. Realized gains and losses on investment transactions are recorded based on the average cost method. Unrealized gains and losses are recognized based on market value changes during the period. Investment income of investment funds without donor restrictions is available for operations and is therefore included in net assets without donor restrictions. Investment income on restricted net assets is restricted for the Agency's facilities and is therefore included in net assets with donor restrictions (see page 11).

## THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC.

Notes to Financial Statements  
June 30, 2019 and 2018

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Income Taxes

The Agency accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Agency has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2019 and 2018. The Agency's information returns are subject to examination by Federal and state jurisdictions.

#### Fair Value Measurements

The Agency follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Agency would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Agency uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Agency. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

#### Revenue Recognition

Grants and contributions without donor restrictions are recorded as revenue upon receipt or when unconditionally committed by the donor. Donor restricted grants and contributions that are donations with time or purpose restrictions are recognized net assets with donor restrictions when received or when unconditionally committed by the donor. Grants and contributions with donor restrictions are transferred to support, revenues, and net assets without donor restrictions as services are performed and costs are incurred, or pro-rata over the period covered by the grant or contribution as time restrictions lapse. Contract revenue is recorded over the contract period as services are provided and costs are incurred.

## THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC.

Notes to Financial Statements  
June 30, 2019 and 2018

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition (Continued)

Gross patient service revenue is recorded at the full value of those services as assigned by the Agency. Net patient service revenue reflects the provision for contractual allowances and free care.

Contractual allowances are accrued in the period the related services are rendered. Net patient service revenue is adjusted as required based on agreed upon rates and final settlements. In general, the Agency is reimbursed from third-party payers based on negotiated rates, procedural fee schedules, and discounted charges. Contractual allowances were approximately \$38,860,000 and \$47,910,000 for the years ended June 30, 2019 and 2018, respectively.

The Agency has a policy of providing free care services to patients who are unable to pay or to those who may be underinsured. Such patients are identified based on financial information obtained from the patient prior to services being rendered. Since the Agency does not expect payment, estimated charges for free care are not included in net patient service revenue. The approximate cost of free care services provided was \$1,996,000 and \$1,915,000 for the years ended June 30, 2019 and 2018, respectively. The cost of providing free care was calculated by dividing the total cost (including general and administrative allocation) of providing patient services by gross patient charges and multiplying the percentage by gross free care charges. Massachusetts law provides coverage for healthcare services via Health Safety Net (HSN). The Agency billed HSN, or Free Care, approximately \$2,569,000 and \$2,788,000 during the years ended June 30, 2019 and 2018, respectively, for free care services provided to eligible patients. The Agency received partial reimbursement from third-party payers for free care services of approximately \$1,212,000 and \$794,000 during the years ended June 30, 2019 and 2018, respectively.

#### Donated Goods and Services

The Agency records donated goods and services based on the estimated value assigned to them by the donors or by management. For the years ended June 30, 2019 and 2018, the Agency received donated goods and services of \$43,288 and \$37,328, respectively. This consisted of donated services related to the production of videos for the annual gala, donated design services, and donated beverages for the gala. The fair value of these donated goods and services is included in interest income and other and in related expenses in the accompanying statements of activities and functional expenses for the years ended June 30, 2019 and 2018.

#### Net Assets

##### *Net Assets Without Donor Restrictions*

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Agency. The Agency has grouped its net assets without donor restrictions into the following categories:

**Operating** represents funds available to carry on the operations of the Agency.

**Board designated - investments** represent funds designated by the Board of Directors for long-term investments and growth. All income earned on this fund is reinvested in the fund. Use of this fund and its income can only be made with the approval of the Board of Directors and is subject to the Agency's spending policy (see Note 4).

**Property and equipment** reflect and account for the activities relating to the Agency's property and equipment, net of any related debt.

**THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC.**

Notes to Financial Statements  
June 30, 2019 and 2018

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Assets (Continued)**

**Net Assets With Donor Restrictions**

Net assets with donor restrictions are as follows:

<u>2019</u>	<u>Balance at June 30, 2018</u>	<u>Donor Restricted Income</u>	<u>Released from Restrictions</u>	<u>Balance at June 30, 2019</u>
Subject to expenditure for specified purpose:				
Net appreciation on Facilities Endowment (see Note 4)	\$ 2,814,001	\$ 496,047	\$ 292,000	\$ 3,018,048
Outreach	788,180	1,052,541	734,262	1,106,459
Other	74,345	798,804	633,796	239,353
Respite Program	255,767	107,376	210,589	152,554
Delivery System Reform				
Incentive Payments (DSRIP)	782,931	283,982	954,428	112,485
Behavioral Health	870	291,199	226,510	65,559
	<u>4,716,094</u>	<u>3,029,949</u>	<u>3,051,585</u>	<u>4,694,458</u>
Facilities Endowment - investment in perpetuity	<u>5,000,000</u>	-	-	<u>5,000,000</u>
	<u>\$ 9,716,094</u>	<u>\$ 3,029,949</u>	<u>\$ 3,051,585</u>	<u>\$ 9,694,458</u>
<u>2018</u>	<u>Balance at June 30, 2017</u>	<u>Donor Restricted Income</u>	<u>Released from Restrictions</u>	<u>Balance at June 30, 2018</u>
Subject to expenditure for specified purpose:				
Net appreciation on Facilities Endowment (see Note 4)	\$ 2,583,769	\$ 525,232	\$ 295,000	\$ 2,814,001
Outreach	1,615,085	716,046	1,542,951	788,180
Other	154,188	352,985	432,828	74,345
Respite Program	170,090	361,582	275,905	255,767
Delivery System Reform				
Incentive Payments (DSRIP)	-	1,397,521	614,590	782,931
Behavioral Health	111,024	63,443	173,597	870
	<u>4,634,156</u>	<u>3,416,809</u>	<u>3,334,871</u>	<u>4,716,094</u>
Facilities Endowment - investment in perpetuity	<u>5,000,000</u>	-	-	<u>5,000,000</u>
	<u>\$ 9,634,156</u>	<u>\$ 3,416,809</u>	<u>\$ 3,334,871</u>	<u>\$ 9,716,094</u>

Net assets with donor restrictions that are perpetual in nature consist of a \$5,000,000 endowment for facilities (Facilities Endowment). Earnings from the Facilities Endowment are to be used to support the operations and maintenance costs of the Agency's facilities, including future facilities.

## THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC.

Notes to Financial Statements  
June 30, 2019 and 2018

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Statements of Activities

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as support and revenues and operating expenses in the accompanying statements of activities. Peripheral or incidental transactions are reported as non-operating revenues (expenses). Non-operating revenues (expenses) include capital grant and investment activity.

#### Subsequent Events

Subsequent events have been evaluated through November 12, 2019, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

### 3. RELATED PARTY TRANSACTIONS

The Agency entered into the following transaction with its related parties:

- One Board member of the Agency is an executive of the company that the Agency hired as their health insurance provider. This health insurance provider was chosen through a competitive bid process and remains engaged through 2019. The Agency paid approximately \$3,519,000 and \$3,255,000 for the years ended June 30, 2019 and 2018, respectively, which is included in fringe benefits in the accompanying statements of functional expenses.

### 4. ENDOWMENT FUNDS

Massachusetts follows the Uniform Prudent Management of Institutional Funds Acts (UPMIFA). The Agency has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Agency classifies as net assets with donor restrictions that are perpetual in nature (a) the original value of gifts donated to the Facilities Endowment, (b) the original value of subsequent gifts to the Facilities Endowment, and (c) accumulations to the Facilities Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Any accumulated appreciation and unspent investment return related to the donor-restricted endowment fund, if any, is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Agency will consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Agency and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Agency.
- (7) The investment policies of the Agency.

**THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC.**

Notes to Financial Statements  
June 30, 2019 and 2018

**4. ENDOWMENT FUNDS (Continued)**

The Agency has adopted an investment spending policy for the Facilities Endowment. Annual withdrawals of investment earnings and endowment appreciation will not be more than 4% of the average market value of the Facilities Endowment (see Note 2) over a rolling thirty-six month period. During fiscal years 2019 and 2018, the Agency appropriated \$1,120,000 and \$1,052,000, respectively, of total investment return for operations based on this calculation. Transfers to the operating net assets, in accordance with the spending policy, are reflected as investment return appropriated for operations in the accompanying statements of activities for the years ended June 30, 2019 and 2018.

Changes in endowment net assets by class are as follows for the years ended June 30:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total Endowment</u>
Endowment net assets, June 30, 2017	\$ 22,104,040	\$ 7,583,769	\$ 29,687,809
Investment returns:			
Realized gain	71,141	21,075	92,216
Net unrealized gain on investments	1,178,943	411,104	1,590,047
Interest and dividends, net of fees	<u>291,078</u>	<u>93,053</u>	<u>384,131</u>
Total investment returns	<u>1,541,162</u>	<u>525,232</u>	<u>2,066,394</u>
Investment return designated for operations	<u>(757,000)</u>	<u>(295,000)</u>	<u>(1,052,000)</u>
Endowment net assets, June 30, 2018	<u>22,888,202</u>	<u>7,814,001</u>	<u>30,702,203</u>
Investment Transfers	<u>71,000</u>	<u>-</u>	<u>71,000</u>
Investment returns:			
Realized gain	1,376,360	414,455	1,790,815
Net unrealized loss on investments	(304,652)	(39,993)	(344,645)
Interest and dividends, net of fees	<u>309,644</u>	<u>121,585</u>	<u>431,229</u>
Total investment returns	<u>1,381,352</u>	<u>496,047</u>	<u>1,877,399</u>
Investment return designated for operations	<u>(828,000)</u>	<u>(292,000)</u>	<u>(1,120,000)</u>
Endowment net assets, June 30, 2019	<u>\$ 23,512,554</u>	<u>\$ 8,018,048</u>	<u>\$ 31,530,602</u>

The Agency has adopted investment and spending policies for the endowment funds that aim to safeguard the purchasing power of the endowment principal, generate an ongoing revenue source, and to provide for growth of the investment principal. The investments are to be split between equity and fixed income investments to accomplish these goals. Under this policy, the endowment funds are invested to provide a competitive total rate of return commensurate with prudent diversification and moderate risk. Risk and diversification parameters have been established and the endowment funds are maintained and rebalanced, if necessary, according to the Agency's investment policy. The Agency relies on a total rate of return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends). While it is understood that the endowment funds are to be managed with a long-term focus, the Agency routinely monitors current and historical investment performance against applicable benchmarks.



**THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC.**

Notes to Financial Statements  
June 30, 2019 and 2018

**5. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Buildings and leasehold improvements	\$ 31,530,751	\$ 31,101,601
EPIC Software (see Note 8)	2,331,891	2,331,891
Equipment and furnishings	3,146,585	2,923,044
Vehicles	<u>126,536</u>	<u>86,562</u>
	37,135,763	36,443,098
Less - accumulated depreciation	<u>8,151,522</u>	<u>6,712,350</u>
	<u>\$ 28,984,241</u>	<u>\$ 29,730,748</u>

Depreciation expense was \$1,439,172 and \$1,348,017 for the years ended June 30, 2019 and 2018, respectively.

**6. CONTINGENCIES AND COMMITMENTS**

The Agency, from time-to-time, is the defendant in lawsuits. It is management's belief that the Agency will prevail in these lawsuits. Accordingly, no amounts have been reflected in the accompanying financial statements for any potential liability resulting from these lawsuits.

**7. INVESTMENTS**

The Agency reflects investments at fair market value using Level 1 inputs (see Note 2). Investments are comprised of the following as of June 30:

<u>2019</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation</u>
Government and money market	\$ 8,019,971	\$ 8,074,637	\$ 54,666
Fixed income	8,214,305	8,263,083	48,778
Mutual funds	291,021	349,511	58,490
Other assets	2,300,469	2,748,940	448,471
Equities:			
Financial	1,781,628	2,176,489	394,861
Consumer	3,074,940	4,513,504	1,438,564
Technology	1,532,144	2,430,190	898,046
Health	1,517,639	2,049,764	532,125
Industrials	<u>653,587</u>	<u>924,484</u>	<u>270,897</u>
	<u>\$ 27,385,704</u>	<u>\$ 31,530,602</u>	4,144,898
Unrealized appreciation as of June 30, 2018			<u>4,489,543</u>
Net unrealized losses for the year ended June 30, 2019			<u>\$ (344,645)</u>

**THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC.**

Notes to Financial Statements  
June 30, 2019 and 2018

**7. INVESTMENTS (Continued)**

<u>2018</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Government and money market	\$ 1,847,620	\$ 1,847,620	\$ -
Fixed income	8,435,069	8,247,050	(188,019)
Mutual funds	560,030	751,825	191,795
Other assets	3,044,605	3,740,497	695,892
Equities:			
Financial	1,898,407	2,445,118	546,711
Consumer	3,647,718	5,036,852	1,389,134
Technology	2,100,874	3,197,734	1,096,860
Health	2,972,044	3,220,873	248,829
Industrials	<u>1,706,293</u>	<u>2,214,634</u>	<u>508,341</u>
	<u>\$ 26,212,660</u>	<u>\$ 30,702,203</u>	4,489,543
Unrealized appreciation as of June 30, 2017			<u>2,899,496</u>
Net unrealized gains for the year ended June 30, 2018			<u>\$ 1,590,047</u>

Investments are not insured and are subject to ongoing market fluctuations. Investments are held for long-term purposes and, accordingly, are classified as non-current assets in the accompanying statements of financial position.

Investment return consists of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Net realized gains	\$ 1,790,815	\$ 92,216
Interest and dividends	607,346	504,751
Investment fees	(176,117)	(120,620)
Net unrealized gains (losses)	<u>(344,645)</u>	<u>1,590,047</u>
	<u>\$ 1,877,399</u>	<u>\$ 2,066,394</u>

**8. CONTINGENT NOTES PAYABLE**

During fiscal year 2017, in connection with the acquisition and launch of the Agency's new practice management system software (the EPIC software), the Agency entered into a note payable for \$2,331,891 with Boston Medical Center (BMC). The note is unsecured and is to be forgiven over the course of ten years through October 1, 2026. The note bears interest at the prime rate (5% at June 30, 2019 and 2018) plus 1%. Any accrued interest is forgiven each month. The accrued interest has not been recorded since the Agency was in compliance as of June 30, 2019 and 2018, and plans to continue to comply with the terms of the note agreement. During fiscal years 2019 and 2018, BMC forgave \$233,189 of the note, which is included in grants, contracts and contributions in the accompanying statements of activities for the years then ended. As of June 30, 2019 and 2018, \$1,690,621 and \$1,923,810 respectively, is outstanding related to this agreement. The cost of the EPIC software is included in property and equipment (see Note 5).

## THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC.

Notes to Financial Statements  
June 30, 2019 and 2018

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### 8. CONTINGENT NOTES PAYABLE (Continued)

During fiscal year 2018, in connection with the Agency joining an accountable care organization, the Agency entered into a note payable for \$495,120 with Boston Accountable Care Organization (BACO). The note was used by the Agency to support its non-billable services that meet the requirements of the use for DSRIP as stated by the Executive Office of Health and Human Services, and to comply with the DSRIP plans decided by the BACO Board of Directors. The note was unsecured and was forgiven as of December 31, 2018. The note bore no interest. During fiscal year 2019, BMC forgave \$297,072 of the note, which was outstanding as of June 30, 2018, which is included in grants, contracts and contributions in the accompanying statement of activities for the year then ended. As of June 30, 2019, there was no outstanding balance related to this agreement.

During fiscal year 2019, the Agency entered into an additional note payable for \$600,000 with BACO. The note was used by the Agency to support its non-billable services that meet the requirements of the use for DSRIP as stated by the Executive Office of Health and Human Services, and to comply with the DSRIP plans decided by the BACO Board of Directors. The note is unsecured and is to be forgiven over one year through December 31, 2019. The note bears no interest. The proceeds of the note have not been received by the Agency as of June 30, 2019.

### 9. CONCENTRATION OF CREDIT RISK

The Agency maintains its cash balances in a bank in Massachusetts. The Federal Deposit Insurance Corporation (FDIC) insures balances up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Agency has not experienced any losses in such accounts. The Agency believes it is not exposed to any significant credit risk on cash and cash equivalents.

### 10. FUNDING

#### Patient Service Revenue

Approximately 60% and 37% of net patient service revenue was from the Commonwealth of Massachusetts, Office of Health and Human Services, the MassHealth program (Medicaid) for the years ended June 30, 2019 and 2018, respectively. Charges made to most third-party payers for patient services are periodically reviewed and adjusted based upon the submission of cost reports and possible subsequent audits. In the opinion of management, the effect of such cost determinations or adjustments, if any, will not have a material effect on the financial position of the Agency as of June 30, 2019 and 2018, or on the changes in its net assets for the years then ended.

Approximately 36% and 14% of patient services receivable in the accompanying statements of financial position are due from Medicaid as of June 30, 2019 and 2018, respectively. Approximately 29% and 19% of patient services receivable in the accompanying statements of financial position are due from OneCare as of June 30, 2019 and 2018, respectively.

#### Contracts

Approximately 71% and 69% of the Agency's contract revenue is for services provided under agreements with the Health Resources and Services Administration (HRSA), a department of the U.S. Department of Health and Human Services, for the years ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, approximately 22% and 24%, respectively, of contract, grant and other receivables in the accompanying statements of financial position was due from HRSA. These contracts are subject to possible audits by the appropriate government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Agency as of June 30, 2019 and 2018, or on its changes in net assets for the years then ended.

## THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC.

Notes to Financial Statements  
June 30, 2019 and 2018

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### 11. RETIREMENT PLANS

The Agency maintains a profit sharing plan for employees who complete one year of employment and have worked at least 1,000 hours in twelve consecutive months. The Agency may make annual contributions as approved by the Board of Directors. Contributions vest over five years. Contributions made for the years ended June 30, 2019 and 2018, were \$1,313,005 and \$1,163,507, respectively, and are included in fringe benefits in the accompanying statements of functional expenses.

The Agency also maintains a tax sheltered annuity plan under Section 403(b) of the IRC. Employees can make voluntary contributions to the plan through salary reductions. The Agency does not contribute to this plan.

### 12. LEASE AGREEMENT

In August 2015, the Agency entered into an agreement to lease office space for its administrative office. The lease agreement expires in June 2022. Monthly payments on this lease are \$9,008 and escalate annually based on the terms of the lease agreement.

Future minimum lease payments under this agreement are as follows:

<u>Fiscal Year</u>	
2020	\$ 119,080
2021	\$ 122,057
2022	\$ 135,555

The Agency leases a copier under an agreement which expires in August 2022. Monthly payments on this lease are \$5,690 over the life of the lease.

### 13. MEDICAL MALPRACTICE INSURANCE

The healthcare industry is subject to voluminous and complex laws and regulations of Federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral laws, and false claims prohibitions.

The Agency is insured for professional liability coverage through the Federal Bureau of Primary Health Care, known as the Federal Tort Claims Act (FTCA), in accordance with the Public Health Services Act. This coverage is provided to the Agency through its Section 330 Community Health Center grant administered by HRSA. The coverage afforded the Agency is comparable to an occurrence-based policy without a monetary cap. The coverage is applicable to the Agency, its officers, Board members, employees, and contractors who are physicians or other licensed or certified health care practitioners. The Agency also has insurance for any gaps in its professional liability coverage.

**THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC.**

Notes to Financial Statements  
June 30, 2019 and 2018

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**14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Agency's financial assets available within one year from the statement of financial position date for general operating expenses are as follows:

Cash	\$ 8,761,045
Patient services receivable, net	4,489,629
Contract, grant and other receivable	1,630,978
Pledges receivable	<u>81,292</u>
Total financial assets	14,962,944
Less – donor restricted cash	<u>(1,676,410)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,286,534</u>

The Agency is substantially supported by contributions with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Agency must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Agency's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Agency also has a board designated fund (see Note 4) that may be drawn upon in the event of financial distress or an immediate liquidity need.

**THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC.**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Health and Human Services:</b>			
Direct Program:			
Health Centers Cluster:			
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	N/A	\$ 4,105,365
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	280,103
Substance Abuse and Mental Health Services and Projects of Regional and National Significance	93.243	1H779TI081631-01	195,661
Passed-through Casa Esperanza:			
Substance Abuse and Mental Health Services and Projects of Regional and National Significance	93.243	N/A	78,685
Passed-through City of Boston, Boston Public Health Commission:			
HIV Emergency Relief Project Grants	93.914	N/A	273,885
Healthy Start Initiative	93.926	FY18019569	59,865
Passed-through Commonwealth of Massachusetts, Department of Public Health:			
HIV Care Formula Grants	93.917	INTF4944MM3181926006	158,874
HIV Prevention Activities – Health Department Based	93.940	INTF4944MM3181926006	341,393
Passed-through Boston University:			
Special Projects of National Significance	93.928	1U90HA31449-01-00	59,779
<b>Social Security Administration</b>			
Passed-through Corporation for National and Community Service:			
Disability Insurance/SSI Cluster:			
Americorps	94.006	16AFMA0010012	204,740
<b>U.S. Department of Agriculture</b>			
Passed-through Greater Boston Food Bank:			
Food Distribution Cluster:			
Emergency Food Assistance Program (Food Commodities)	10.569	N/A	<u>19,182</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 5,777,532</u></u>

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal assistance activity of the Agency and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards*.

**Note 2. Indirect Cost Rate**

The Agency has elected not to use the 10% de minimis cost rate for its Federal programs.

**Note 3. Value of Non-Cash**

During the year ended June 30, 2019, the Agency received food valued at \$19,182.

**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**

Independent Auditor's Report

To the Board of Directors of  
The Boston Health Care for the Homeless Program, 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 The Boston Health Care for the Homeless Program, Inc. (the Agency), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 12, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


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

## Compliance and Other Matters

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



Boston, Massachusetts  
November 12, 2019





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## **Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

### Independent Auditor's Report

To the Board of Directors of  
The Boston Health Care for the Homeless Program, Inc.:

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

We have audited The Boston Health Care for the Homeless Program, Inc.'s (the Agency) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Agency's major Federal program for the year ended June 30, 2019. The Agency's major Federal program is 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 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 the Agency's major Federal program 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 Agency'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 Agency's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2019.

## Report on Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on page 22. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on the 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 Agency'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.



Boston, Massachusetts  
November 12, 2019

**THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC.**

Schedule of Findings and Questioned Costs  
June 30, 2019

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**1. SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

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

Is a “going concern” emphasis-of-matter paragraph included in the auditor’s report?             Yes                        X   No

Internal control over financial reporting:

- Material weakness identified?             Yes                        X   No
- Significant deficiency identified?             Yes                        X   None reported

Noncompliance material to financial statements noted?             Yes                        X   No

**Federal Awards**

Internal control over major Federal program:

- Material weakness identified?             Yes                        X   No
- Significant deficiency identified?             Yes                        X   None reported

Type of auditor’s report issued on compliance for major Federal program: 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 program:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Health Centers Cluster: Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224

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

Auditee qualified as low-risk auditee?        X   Yes                             No

**THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC.**

Schedule of Findings and Questioned Costs  
June 30, 2019

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**2. FINANCIAL STATEMENT FINDINGS**

None

**3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None