



**Brockton
Neighborhood
Health Center and Affiliate**

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

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC. AND AFFILIATE

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June 30, 2019 and 2018

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

Independent Auditor's Report

To the Board of Directors of
Brockton Neighborhood Health Center, Inc. and Affiliate:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combining 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 combining 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 combining financial statements.

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

Opinion

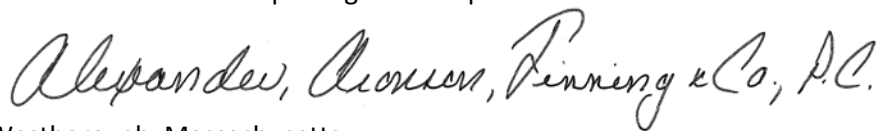
In our opinion, the combining financial statements referred to on page one present fairly, in all material respects, the combining financial position of Brockton Neighborhood Health Center, Inc. and Affiliate as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the combining 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 combining 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 combining financial statements. The information has been subjected to the auditing procedures applied in the audit of the combining financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combining financial statements or to the combining 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 combining 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 October 23, 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 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 the Agency's internal control over financial reporting and compliance.



Westborough, Massachusetts
October 23, 2019

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC. AND AFFILIATE

Combining Statements of Financial Position
June 30, 2019 and 2018

Assets	2019						2018					
	Brockton Neighborhood Health Center, Inc.			BNHC at Vicente's Inc.	Eliminations	Combining Total	Brockton Neighborhood Health Center, Inc.			BNHC at Vicente's Inc.	Eliminations	Combining Total
	Without Donor Restrictions	With Donor Restrictions	Total				Without Donor Restrictions	With Donor Restrictions	Total			
Current Assets:												
Cash and cash equivalents	\$ 2,506,467	\$ 87,123	\$ 2,593,590	\$ 26,542	\$ -	\$ 2,620,132	\$ 1,393,373	\$ 231,780	\$ 1,625,153	\$ 137,326	\$ -	\$ 1,762,479
Patient service fees receivable, net of allowance for doubtful accounts of \$9,756,707 and \$8,491,344 at June 30, 2019 and 2018, respectively	10,080,215	-	10,080,215	-	-	10,080,215	7,189,296	-	7,189,296	-	-	7,189,296
Contracts and grants receivable	754,989	380,510	1,135,499	-	-	1,135,499	304,950	-	304,950	-	-	304,950
Current portion of capital lease receivable	-	-	-	65,165	(65,165)	-	-	-	-	165,676	(165,676)	-
Due from BNHC	-	-	-	811,887	(811,887)	-	-	-	-	484,409	(484,409)	-
Current portion of notes receivable	29,299	-	29,299	-	-	29,299	31,879	-	31,879	-	-	31,879
Inventory and other	707,415	-	707,415	-	-	707,415	592,232	-	592,232	-	-	592,232
Total current assets	14,078,385	467,633	14,546,018	903,594	(877,052)	14,572,560	9,511,730	231,780	9,743,510	787,411	(650,085)	9,880,836
Other Assets:												
Capital lease receivable, net of current portion	-	-	-	608,626	(608,626)	-	-	-	-	673,792	(673,792)	-
Notes receivable, net of current portion	642,241	-	642,241	-	-	642,241	780,597	-	780,597	-	-	780,597
Property and equipment, net	19,434,307	-	19,434,307	5,785,848	-	25,220,155	21,245,562	-	21,245,562	6,003,329	-	27,248,891
Deferred rent receivable	-	-	-	461,523	(461,523)	-	-	-	-	409,906	(409,906)	-
Total assets	\$ 34,154,933	\$ 467,633	\$ 34,622,566	\$ 7,759,591	\$ (1,947,201)	\$ 40,434,956	\$ 31,537,889	\$ 231,780	\$ 31,769,669	\$ 7,874,438	\$ (1,733,783)	\$ 37,910,324
Liabilities and Net Assets												
Current Liabilities:												
Current portion of long-term debt	\$ 205,800	\$ -	\$ 205,800	\$ 202,133	\$ -	\$ 407,933	\$ 198,000	\$ -	\$ 198,000	\$ 194,940	\$ -	\$ 392,940
Current portion of capital lease	65,165	-	65,165	-	(65,165)	-	165,676	-	165,676	-	(165,676)	-
Accounts payable	1,480,383	-	1,480,383	7,641	-	1,488,024	1,287,024	-	1,287,024	7,641	-	1,294,665
Line of credit	1,483,931	-	1,483,931	-	-	1,483,931	-	-	-	-	-	-
Due to BNHC	811,887	-	811,887	-	(811,887)	-	484,409	-	484,409	-	(484,409)	-
Accrued expenses	4,228,137	-	4,228,137	-	-	4,228,137	3,284,416	-	3,284,416	-	-	3,284,416
Total current liabilities	8,275,303	-	8,275,303	209,774	(877,052)	7,608,025	5,419,525	-	5,419,525	202,581	(650,085)	4,972,021
Long-term Liabilities:												
Long-term debt, net of current portion	8,229,900	-	8,229,900	7,419,026	-	15,648,926	8,435,700	-	8,435,700	7,621,159	-	16,056,859
Capital lease, net of current portion	608,626	-	608,626	-	(608,626)	-	673,792	-	673,792	-	(673,792)	-
Deferred rent	461,523	-	461,523	-	(461,523)	-	409,906	-	409,906	-	(409,906)	-
Accumulated unrealized loss on interest rate swap contract	389,670	-	389,670	-	-	389,670	130,849	-	130,849	-	-	130,849
Total liabilities	17,965,022	-	17,965,022	7,628,800	(1,947,201)	23,646,621	15,069,772	-	15,069,772	7,823,740	(1,733,783)	21,159,729
Net Assets:												
Without donor restrictions:												
Operating	6,044,748	-	6,044,748	830,788	-	6,875,536	4,524,002	-	4,524,002	614,094	-	5,138,096
Property and equipment	10,145,163	-	10,145,163	(699,997)	-	9,445,166	11,944,115	-	11,944,115	(563,396)	-	11,380,719
Total net assets without donor restrictions	16,189,911	-	16,189,911	130,791	-	16,320,702	16,468,117	-	16,468,117	50,698	-	16,518,815
With donor restrictions:												
Total net assets	16,189,911	467,633	16,657,544	130,791	-	16,788,335	16,468,117	231,780	16,699,897	50,698	-	16,750,595
Total liabilities and net assets	\$ 34,154,933	\$ 467,633	\$ 34,622,566	\$ 7,759,591	\$ (1,947,201)	\$ 40,434,956	\$ 31,537,889	\$ 231,780	\$ 31,769,669	\$ 7,874,438	\$ (1,733,783)	\$ 37,910,324

The accompanying notes are an integral part of these combining statements.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC. AND AFFILIATE

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

	2019						2018					
	Brockton Neighborhood Health Center, Inc.			BNHC at Vicente's Inc.	Eliminations	Combining Total	Brockton Neighborhood Health Center, Inc.			BNHC at Vicente's Inc.	Eliminations	Combining Total
	Without Donor Restrictions	With Donor Restrictions	Total				Without Donor Restrictions	With Donor Restrictions	Total			
Operating Revenue and Support:												
Net patient service revenue	\$ 47,823,628	\$ -	\$ 47,823,628	\$ -	\$ -	\$ 47,823,628	\$ 44,077,761	\$ -	\$ 44,077,761	\$ -	\$ -	\$ 44,077,761
Contracts and grants	5,831,036	2,341,156	8,172,192	-	-	8,172,192	5,365,926	1,758,351	7,124,277	-	-	7,124,277
Contributions	586,724	-	586,724	-	-	586,724	457,666	-	457,666	-	-	457,666
Rental income	204,070	-	204,070	646,751	(646,751)	204,070	203,333	-	203,333	620,270	(620,270)	203,333
Donated services	185,431	-	185,431	-	-	185,431	232,302	-	232,302	-	-	232,302
Miscellaneous	68,128	-	68,128	-	-	68,128	148,229	-	148,229	-	-	148,229
Net assets released from purpose restrictions	2,155,303	(2,155,303)	-	-	-	-	1,711,438	(1,711,438)	-	-	-	-
Total operating revenue and support	56,854,320	185,853	57,040,173	646,751	(646,751)	57,040,173	52,196,655	46,913	52,243,568	620,270	(620,270)	52,243,568
Operating Expenses:												
Medical	41,674,858	-	41,674,858	-	(473,629)	41,201,229	44,677,452	-	44,677,452	-	(469,111)	44,208,341
Dental	4,656,685	-	4,656,685	-	(52,923)	4,603,762	4,485,077	-	4,485,077	-	(47,093)	4,437,984
HIV	1,116,170	-	1,116,170	-	(12,685)	1,103,485	1,020,971	-	1,020,971	-	(10,720)	1,010,251
Social services	4,184,096	-	4,184,096	-	(47,552)	4,136,544	3,625,912	-	3,625,912	-	(38,072)	3,587,840
General and administrative	3,834,105	-	3,834,105	-	(43,574)	3,790,531	3,756,807	-	3,756,807	-	(39,446)	3,717,361
Rental	-	-	-	566,658	-	566,658	-	-	-	559,421	-	559,421
Other support services	1,441,999	-	1,441,999	-	(16,388)	1,425,611	1,507,381	-	1,507,381	-	(15,828)	1,491,553
Total operating expenses	56,907,913	-	56,907,913	566,658	(646,751)	56,827,820	59,073,600	-	59,073,600	559,421	(620,270)	59,012,751
Changes in net assets from operations	(53,593)	185,853	132,260	80,093	-	212,353	(6,876,945)	46,913	(6,830,032)	60,849	-	(6,769,183)
Non-Operating Revenue (Expense):												
Capital grants and contributions	24,514	59,694	84,208	-	-	84,208	303,574	36,077	339,651	-	-	339,651
Net assets released from capital restrictions	9,694	(9,694)	-	-	-	-	82,775	(82,775)	-	-	-	-
Unrealized gain (loss) on carrying value of interest rate swap contract	(258,821)	-	(258,821)	-	-	(258,821)	318,892	-	318,892	-	-	318,892
Total non-operating revenue (expense)	(224,613)	50,000	(174,613)	-	-	(174,613)	705,241	(46,698)	658,543	-	-	658,543
Changes in net assets	(278,206)	235,853	(42,353)	80,093	-	37,740	(6,171,704)	215	(6,171,489)	60,849	-	(6,110,640)
Net Assets:												
Beginning of year	16,468,117	231,780	16,699,897	50,698	-	16,750,595	22,639,821	231,565	22,871,386	(10,151)	-	22,861,235
End of year	\$ 16,189,911	\$ 467,633	\$ 16,657,544	\$ 130,791	\$ -	\$ 16,788,335	\$ 16,468,117	\$ 231,780	\$ 16,699,897	\$ 50,698	\$ -	\$ 16,750,595

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC. AND AFFILIATE

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

	2019				2018			
	Brockton Neighborhood Health Center, Inc.	BNHC at Vicente's Inc.	Eliminations	Total	Brockton Neighborhood Health Center, Inc.	BNHC at Vicente's Inc.	Eliminations	Total
Cash Flows from Operating Activities:								
Changes in net assets	\$ (42,353)	\$ 80,093	\$ -	\$ 37,740	\$ (6,171,489)	\$ 60,849	\$ -	\$ (6,110,640)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:								
Depreciation	1,868,882	217,481	-	2,086,363	1,926,165	217,482	-	2,143,647
Bad debt	1,265,363	-	-	1,265,363	6,995,750	-	-	6,995,750
Unrealized (gain) loss on carrying value of interest rate swap contract	258,821	-	-	258,821	(318,892)	-	-	(318,892)
Capital grants and contributions	(84,208)	-	-	(84,208)	(339,651)	-	-	(339,651)
Changes in operating assets and liabilities:								
Patient service fees receivable	(4,156,282)	-	-	(4,156,282)	(4,656,688)	-	-	(4,656,688)
Contracts and grants receivable	(830,549)	-	-	(830,549)	(13,312)	-	-	(13,312)
Capital lease receivable	-	165,677	(165,677)	-	-	3,857	(3,857)	-
Capital lease payable - interest	-	-	-	-	13,907	-	(13,907)	-
Due from BNHC	-	(327,478)	327,478	-	-	(484,409)	484,409	-
Inventory and other	(115,183)	-	-	(115,183)	(77,762)	-	-	(77,762)
Deferred rent receivable	-	(51,617)	51,617	-	-	(89,392)	89,392	-
Accounts payable	193,359	-	-	193,359	647,809	-	-	647,809
Due to BNHCV	327,478	-	(327,478)	-	484,409	-	(484,409)	-
Accrued expenses	943,721	-	-	943,721	336,622	-	-	336,622
Deferred rent	51,617	-	(51,617)	-	89,392	-	(89,392)	-
Net cash provided by (used in) operating activities	<u>(319,334)</u>	<u>84,156</u>	<u>(165,677)</u>	<u>(400,855)</u>	<u>(1,083,740)</u>	<u>(291,613)</u>	<u>(17,764)</u>	<u>(1,393,117)</u>
Cash Flows from Investing Activities:								
Acquisition of property and equipment	(57,627)	-	-	(57,627)	(472,638)	-	-	(472,638)
Payments received on notes receivable	140,936	-	-	140,936	33,342	-	-	33,342
Net cash provided by (used in) investing activities	<u>83,309</u>	<u>-</u>	<u>-</u>	<u>83,309</u>	<u>(439,296)</u>	<u>-</u>	<u>-</u>	<u>(439,296)</u>
Cash Flows from Financing Activities:								
Proceeds from capital grants	84,208	-	-	84,208	339,651	-	-	339,651
Proceeds from line of credit	1,483,931	-	-	1,483,931	-	-	-	-
Principal payments on capital lease	(165,677)	-	165,677	-	(17,764)	-	17,764	-
Principal payments on long-term debt	(198,000)	(194,940)	-	(392,940)	(190,200)	(187,224)	-	(377,424)
Net cash provided by (used in) financing activities	<u>1,204,462</u>	<u>(194,940)</u>	<u>165,677</u>	<u>1,175,199</u>	<u>131,687</u>	<u>(187,224)</u>	<u>17,764</u>	<u>(37,773)</u>
Net Change in Cash and Cash Equivalents	968,437	(110,784)	-	857,653	(1,391,349)	(478,837)	-	(1,870,186)
Cash and Cash Equivalents:								
Beginning of year	<u>1,625,153</u>	<u>137,326</u>	<u>-</u>	<u>1,762,479</u>	<u>3,016,502</u>	<u>616,163</u>	<u>-</u>	<u>3,632,665</u>
End of year	<u>\$ 2,593,590</u>	<u>\$ 26,542</u>	<u>\$ -</u>	<u>\$ 2,620,132</u>	<u>\$ 1,625,153</u>	<u>\$ 137,326</u>	<u>\$ -</u>	<u>\$ 1,762,479</u>
Supplemental Disclosure of Cash Flow Information:								
Cash paid for interest	<u>\$ 467,593</u>	<u>\$ 312,645</u>	<u>\$ (111,976)</u>	<u>\$ 668,262</u>	<u>\$ 425,988</u>	<u>\$ 320,361</u>	<u>\$ (85,495)</u>	<u>\$ 660,854</u>

The accompanying notes are an integral part of these combining statements.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC. AND AFFILIATE

Combining Statement of Functional Expenses
 For the Year Ended June 30, 2019
 (With Summarized Comparative Totals for the Year Ended June 30, 2018)

	2019										2018		
	Program Services				Supporting Services				Total Expenses	BNHC at Vicente's Inc.	Eliminations	Combining Total	Total Expenses
	Medical	Dental	HIV	Social Services	Total Program Services	General and Administrative	Other Support Services	Total Supporting Services					
Expenses:													
Personnel and related costs:													
Salaries	\$ 22,193,556	\$ 2,809,610	\$ 831,462	\$ 2,941,243	\$ 28,775,871	\$ 2,252,984	\$ 302,297	\$ 2,555,281	\$ 31,331,152	\$ -	\$ -	\$ 31,331,152	\$ 29,813,279
Payroll taxes and fringe benefits	3,874,958	523,035	147,640	501,130	5,046,763	590,454	67,061	657,515	5,704,278	-	-	5,704,278	5,382,136
Contracted services	3,902,317	344,166	13,009	44,371	4,303,863	14,796	-	14,796	4,318,659	-	-	4,318,659	3,858,018
Total personnel and related costs	29,970,831	3,676,811	992,111	3,486,744	38,126,497	2,858,234	369,358	3,227,592	41,354,089	-	-	41,354,089	39,053,433
Occupancy:													
Depreciation	934,657	211,499	22,808	144,476	1,313,440	110,361	445,081	555,442	1,868,882	217,481	-	2,086,363	2,143,647
Interest	183,530	45,197	2,197	26,501	257,425	39,593	131,550	171,143	428,568	312,645	(72,951)	668,262	660,854
Utilities	206,098	43,265	5,113	30,285	284,761	23,599	84,957	108,556	393,317	-	-	393,317	375,327
Security and safety	129,089	27,099	3,203	18,969	178,360	14,781	53,212	67,993	246,353	-	-	246,353	222,214
Repairs and maintenance	82,506	52,623	1,603	10,683	147,415	7,585	35,529	43,114	190,529	36,532	-	227,061	178,179
Housekeeping supplies	71,345	14,977	1,770	10,484	98,576	8,169	29,410	37,579	136,155	-	-	136,155	135,403
Telephone	42,999	7,028	1,831	9,994	61,852	4,473	13,332	17,805	79,657	-	-	79,657	67,239
Rental expenses	601,153	5,214	616	15,650	622,633	2,844	10,238	13,082	635,715	-	(573,800)	61,915	27,896
Storage	2,769	1,110	131	777	4,787	606	2,180	2,786	7,573	-	-	7,573	11,254
Total occupancy	2,254,146	408,012	39,272	267,819	2,969,249	212,011	805,489	1,017,500	3,986,749	566,658	(646,751)	3,906,656	3,822,013
Consumables:													
Pharmaceuticals	5,324,624	-	-	-	5,324,624	-	-	-	5,324,624	-	-	5,324,624	4,723,924
Medical supplies	1,563,709	-	9,617	68,210	1,641,536	-	-	-	1,641,536	-	-	1,641,536	1,472,250
Dental supplies	-	293,059	-	191	293,250	-	-	-	293,250	-	-	293,250	295,346
Office supplies	91,268	11,366	2,151	13,175	117,960	43,924	15,108	59,032	176,992	-	-	176,992	210,180
Copying and printing	6,410	282	358	1,705	8,755	28,114	19	28,133	36,888	-	-	36,888	44,182
Total consumables	6,986,011	304,707	12,126	83,281	7,386,125	72,038	15,127	87,165	7,473,290	-	-	7,473,290	6,745,882
Professional costs:													
Training, conferences and meetings	19,117	867	6,512	45,026	71,522	88,414	552	88,966	160,488	-	-	160,488	134,159
Dues, subscriptions and licenses	36,161	5,492	644	4,146	46,443	72,348	2,005	74,353	120,796	-	-	120,796	174,710
Insurance	57,735	4,905	651	4,407	67,698	-	-	-	67,698	-	-	67,698	33,572
Travel	3,769	289	3,859	8,006	15,923	8,751	167	8,918	24,841	-	-	24,841	19,855
Total professional costs	116,782	11,553	11,666	61,585	201,586	169,513	2,724	172,237	373,823	-	-	373,823	362,296
Other:													
Bad debt	1,177,932	79,656	7,775	-	1,265,363	-	-	-	1,265,363	-	-	1,265,363	6,995,750
Information technology	471,100	76,824	26,556	102,747	677,227	55,958	220,988	276,946	954,173	-	-	954,173	830,748
Professional fees	516,222	91,608	14,707	122,349	744,886	166,846	9,554	176,400	921,286	-	-	921,286	649,785
Postage	2,690	418	113	348	3,569	185,083	5	185,088	188,657	-	-	188,657	167,318
Recruiting	82,638	6	1	11,639	94,284	5,245	-	5,245	99,529	-	-	99,529	139,878
Minor equipment	44,359	3,713	2,616	25,440	76,128	3,278	10,360	13,638	89,766	-	-	89,766	30,543
Insurance - general	1,492	244	84	313	-	62,935	702	63,637	63,637	-	-	63,637	73,425
Patient transportation	30,713	81	7,419	15,922	54,135	8,869	-	8,869	63,004	-	-	63,004	53,699
Miscellaneous	3,662	21	821	2,525	7,029	32,157	63	32,220	39,249	-	-	39,249	45,393
Equipment rental	16,280	3,031	903	3,384	23,598	1,938	7,629	9,567	33,165	-	-	33,165	42,588
Total other	2,347,088	255,602	60,995	284,667	2,948,352	522,309	249,301	771,610	3,719,962	-	-	3,717,829	9,029,127
Total expenses before other support services and general and administrative allocations	41,674,858	4,656,685	1,116,170	4,184,096	51,631,809	3,834,105	1,441,999	5,276,104	56,907,913	566,658	(646,751)	56,827,820	59,012,751
Other support services allocation	1,025,244	168,729	34,715	213,311	1,441,999	-	(1,441,999)	(1,441,999)	-	-	-	-	-
General and administrative allocation	3,084,698	386,934	57,702	304,771	3,834,105	(3,834,105)	-	(3,834,105)	-	-	-	-	-
Total expenses	\$ 45,784,800	\$ 5,212,348	\$ 1,208,587	\$ 4,702,178	\$ 56,907,913	\$ -	\$ -	\$ -	\$ 56,907,913	\$ 566,658	\$ (646,751)	\$ 56,827,820	\$ 59,012,751

The accompanying notes are an integral part of these combining statements.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC. AND AFFILIATE

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

	Program Services				Supporting Services			Total Expenses	BNHC at Vicente's Inc.	Eliminations	Combining Total	
	Medical	Dental	HIV	Social Services	Total Program Services	General and Administrative	Other Support Services					Total Supporting Services
Expenses:												
Personnel and related costs:												
Salaries	\$ 20,519,689	\$ 2,788,988	\$ 778,551	\$ 2,678,414	\$ 26,765,642	\$ 2,689,876	\$ 357,761	\$ 3,047,637	\$ 29,813,279	\$ -	\$ -	\$ 29,813,279
Payroll taxes and fringe benefits	3,704,381	503,491	140,550	483,529	4,831,951	485,598	64,587	550,185	5,382,136	-	-	5,382,136
Contracted services	3,552,180	278,889	9,766	14,963	3,855,798	2,220	-	2,220	3,858,018	-	-	3,858,018
Total personnel and related costs	<u>27,776,250</u>	<u>3,571,368</u>	<u>928,867</u>	<u>3,176,906</u>	<u>35,453,391</u>	<u>3,177,694</u>	<u>422,348</u>	<u>3,600,042</u>	<u>39,053,433</u>	<u>-</u>	<u>-</u>	<u>39,053,433</u>
Occupancy:												
Depreciation	1,122,003	174,195	18,826	119,989	1,435,013	74,427	416,725	491,152	1,926,165	217,482	-	2,143,647
Interest	251,123	61,532	4,426	6,494	323,575	9,941	53,447	63,388	386,963	320,361	(46,470)	660,854
Utilities	222,617	35,290	4,171	24,703	286,781	19,249	69,297	88,546	375,327	-	-	375,327
Security and safety	148,780	16,938	2,002	11,995	179,715	9,239	33,260	42,499	222,214	-	-	222,214
Repairs and maintenance	67,366	47,165	1,369	8,355	124,255	6,261	27,601	33,862	158,117	20,062	-	178,179
Housekeeping supplies	79,641	12,886	1,523	9,020	103,070	7,029	25,304	32,333	135,403	-	-	135,403
Telephone	37,964	4,732	1,526	6,335	50,557	3,359	13,323	16,682	67,239	-	-	67,239
Rental expenses	597,698	277	33	194	598,202	151	3,343	3,494	601,696	-	(573,800)	27,896
Storage	5,897	1,238	146	867	8,148	675	2,431	3,106	11,254	-	-	11,254
Total occupancy	<u>2,533,089</u>	<u>354,253</u>	<u>34,022</u>	<u>187,952</u>	<u>3,109,316</u>	<u>130,331</u>	<u>644,731</u>	<u>775,062</u>	<u>3,884,378</u>	<u>557,905</u>	<u>(620,270)</u>	<u>3,822,013</u>
Consumables:												
Pharmaceuticals	4,723,924	-	-	-	4,723,924	-	-	-	4,723,924	-	-	4,723,924
Medical supplies	1,456,233	-	5,933	10,084	1,472,250	-	-	-	1,472,250	-	-	1,472,250
Dental supplies	-	295,346	-	-	295,346	-	-	-	295,346	-	-	295,346
Office supplies	154,613	18,639	2,275	14,078	189,605	18,915	1,660	20,575	210,180	-	-	210,180
Copying and printing	31,917	4,501	514	6,519	43,451	708	23	731	44,182	-	-	44,182
Total consumables	<u>6,366,687</u>	<u>318,486</u>	<u>8,722</u>	<u>30,681</u>	<u>6,724,576</u>	<u>19,623</u>	<u>1,683</u>	<u>21,306</u>	<u>6,745,882</u>	<u>-</u>	<u>-</u>	<u>6,745,882</u>
Professional costs:												
Training, conferences and meetings	51,253	10,536	7,910	23,125	92,824	9,713	31,622	41,335	134,159	-	-	134,159
Dues, subscriptions and licenses	136,723	19,948	2,155	15,884	174,710	-	-	-	174,710	-	-	174,710
Insurance	24,843	4,297	571	3,861	33,572	-	-	-	33,572	-	-	33,572
Travel	3,856	663	2,827	4,675	12,021	7,385	449	7,834	19,855	-	-	19,855
Total professional costs	<u>216,675</u>	<u>35,444</u>	<u>13,463</u>	<u>47,545</u>	<u>313,127</u>	<u>17,098</u>	<u>32,071</u>	<u>49,169</u>	<u>362,296</u>	<u>-</u>	<u>-</u>	<u>362,296</u>
Other:												
Bad debt	6,907,527	82,434	5,789	-	6,995,750	-	-	-	6,995,750	-	-	6,995,750
Information technology	272,295	61,558	17,872	53,615	405,340	51,629	373,779	425,408	830,748	-	-	830,748
Professional fees	272,881	33,294	2,524	88,036	396,735	234,934	18,116	253,050	649,785	-	-	649,785
Postage	123,540	21,404	2,870	19,257	167,071	247	-	247	167,318	-	-	167,318
Recruiting	121,983	-	90	7,000	129,073	3,700	7,105	10,805	139,878	-	-	139,878
Minor equipment	22,132	3,849	509	3,748	30,238	66	239	305	30,543	-	-	30,543
Insurance - general	-	-	-	-	-	73,425	-	73,425	73,425	-	-	73,425
Patient transportation	36,885	116	5,709	5,739	48,449	5,250	-	5,250	53,699	-	-	53,699
Miscellaneous	1,615	32	4	752	2,403	41,380	94	41,474	43,877	1,516	-	45,393
Equipment rental	25,893	2,839	530	4,681	33,943	1,430	7,215	8,645	42,588	-	-	42,588
Total other	<u>7,784,751</u>	<u>205,526</u>	<u>35,897</u>	<u>182,828</u>	<u>8,209,002</u>	<u>412,061</u>	<u>406,548</u>	<u>818,609</u>	<u>9,027,611</u>	<u>1,516</u>	<u>-</u>	<u>9,029,127</u>
Total expenses before other support services and general and administrative allocations	<u>44,677,452</u>	<u>4,485,077</u>	<u>1,020,971</u>	<u>3,625,912</u>	<u>53,809,412</u>	<u>3,756,807</u>	<u>1,507,381</u>	<u>5,264,188</u>	<u>59,073,600</u>	<u>559,421</u>	<u>(620,270)</u>	<u>59,012,751</u>
Other support services allocation	1,138,305	184,565	24,839	159,672	1,507,381	-	(1,507,381)	(1,507,381)	-	-	-	-
General and administrative allocation	<u>3,111,550</u>	<u>317,136</u>	<u>80,182</u>	<u>247,939</u>	<u>3,756,807</u>	<u>(3,756,807)</u>	<u>-</u>	<u>(3,756,807)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>\$ 48,927,307</u>	<u>\$ 4,986,778</u>	<u>\$ 1,125,992</u>	<u>\$ 4,033,523</u>	<u>\$ 59,073,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,073,600</u>	<u>\$ 559,421</u>	<u>\$ (620,270)</u>	<u>\$ 59,012,751</u>

The accompanying notes are an integral part of these combining statements.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2019 and 2018

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

Brockton Neighborhood Health Center, Inc. (the Health Center) is a Massachusetts nonprofit, multicultural, community health center. Incorporated in 1992, the Health Center began providing services in 1994 in a mobile medical van operating out of a church parking lot. Since then, the Health Center has rapidly grown to provide desperately needed services to low-income and marginalized populations in the greater Brockton area. The Health Center is committed to providing care that is responsive to community health needs and is linguistically, culturally and financially accessible. The services available to the 34,814 patients includes adult primary care, pediatric care, OB/GYN care, medical urgent care, dental services, vision services, mental health services, behavioral health services, case management, substance use disorder, psychiatry, STD, HIV, endocrinology, pharmacy, lab, x-ray, nephrology, ophthalmology, and nutrition consultations. The Health Center serves all patients regardless of their ability to pay or their insurance status.

The Health Center serves an extremely diverse patient population including Brazilian, Cape Verdean, Haitian, Latino, Portuguese, African American, Ecuadorian, and Caucasian. Nearly 54% of the patients served are non-English speakers. The Health Center is committed to providing culturally competent care. As a result of this commitment, the Health Center's workforce is extremely diverse, with almost 80% of its staff representing ethnic and linguistic minorities. The vast majority (70%) of the Health Center's active patients reside in Brockton, with an additional 7% living in Stoughton and Taunton. Another combined 9% reside in Randolph, Rockland, Abington, Weymouth, and Bridgewater.

The Health Center is accredited by the Joint Commission (formally known as The Joint Commission for the Accreditation of Healthcare Organizations) and is recognized as a patient centered medical home by the National Committee for Quality Assurance.

BNHC at Vicente's Inc. (the Affiliate or BNHC@V) is a Massachusetts nonprofit corporation formed in April 2014 to develop and lease real estate (the Vicente's Property) in Brockton, Massachusetts, specifically to the Health Center. BNHC@V operates the Vicente's Property in a manner intended to enable BNHC@V to qualify as a qualified active low-income community business (QALICB) for the purpose of the Federal New Markets Tax Credits (NMTC) in accordance with Section 45D of the Internal Revenue Code (IRC). The Health Center, acting through its Board of Directors, is the sole member of BNHC@V.

The Health Center and BNHC@V (collectively, the Agency) are exempt from Federal income taxes as organizations (not private foundations) formed for charitable purposes under Section 501(c)(3) of the IRC. The Agency is also exempt from state income taxes. Donors may deduct contributions made to the Agency within the IRC regulations.

SIGNIFICANT ACCOUNTING POLICIES

The Agency's combining financial statements have been prepared 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).

Principles of Combination

The combining financial statements include the activity of the Health Center and BNHC@V. All significant balances between classes of net assets and intercompany balances and transactions have been eliminated in the accompanying combining financial statements.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2019 and 2018

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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) and Health Care Entities (Topic 954): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU modified the current guidance over several criteria, of which the following affected the Agency's combining financing statements.

- Net assets are segregated into two categories, "with donor restrictions" and "without donor restrictions", as opposed to the previous requirement of three classes of net assets.
- Qualitative and quantitative information relating to management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the combining financial positions date.
- A more detailed explanation of the methods used to allocate costs among program and supporting functions has been included in the notes to the combining financial statements.

The adoption of this ASU did not impact the Agency's net asset balances, change in net assets, or cash flows for the year ended June 30, 2018. This ASU provides an option to omit disclosures about liquidity and availability of resources for fiscal year 2018.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the Agency's fiscal year 2020. The Agency is currently in the process of evaluating the impact of adoption of this ASU on the combining financial statements.

On June 21, 2018, the FASB issued a final ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and reduce the current diversity in practice in accounting for grants and contributions. This standard will be effective for the Agency's fiscal year 2020. The Agency is currently in the process of evaluating the impact of adoption of this ASU on the combining financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings and money market accounts.

Patient Service Fees Receivable and Allowance for Doubtful Accounts

Patient service fees receivable are stated at unpaid balances, less allowances for doubtful accounts and contractual allowances. The Health Center provides for losses on patient service fees receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of patients to meet their obligations. Receivables are considered impaired if full payments are not received in accordance with the contractual terms. It is the Health Center's policy to charge-off uncollectible accounts receivable when management determines the receivable will not be collected.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2019 and 2018

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contracts and Grants Receivable and Allowance for Doubtful Accounts

The Agency carries its contracts and grants receivable at net realizable value. Contracts and grants receivable is 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 contracts and grants receivables were deemed to be collectable.

Property and Equipment and Depreciation

The Agency has a policy of capitalizing assets with a cost over \$5,000. Purchased property and equipment are recorded 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:

Building and building improvements	10 - 40 years
Equipment and furnishings	5 - 15 years
Medical and dental equipment	5 - 10 years
Capital leased equipment	Term of lease

Land is not depreciated.

During fiscal years 2019 and 2018, depreciation expense was \$2,086,363 and \$2,143,647, respectively, which includes \$160,141 of depreciation related to the capital lease equipment (see Note 7) for each of the years ended June 30, 2019 and 2018.

The Agency accounts for the carrying value of its long-lived assets in accordance with the requirements of ASC Topic, *Property, Plant and Equipment*. The carrying value is evaluated annually for impairment and no impairment loss was recognized in fiscal year 2019 or 2018.

Inventory

Inventory consists of pharmacy outpatient drugs. This inventory is accounted for at the lower of cost (as determined by the first-in, first-out (FIFO) method) or net realizable value.

Revenue Recognition

Patient service revenue is recorded at the full value of those services as assigned by the Health Center as the services are provided. Net patient service revenue reflects the amounts earned after provisions for contractual allowances and free care. Contractual allowances are accrued on an estimated basis 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 Health Center is reimbursed from third party payors based on negotiated rates, procedural fee schedules and discounted charges. Contractual allowances were approximately \$17,376,000 and \$16,138,000 for the years ended June 30, 2019 and 2018, respectively.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2019 and 2018

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contracts are recorded over the contract period as services are provided. Grants and contributions without donor restrictions are recorded as revenue when received or unconditionally pledged. Grants and contributions with donor restrictions are recorded as revenue and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as costs are incurred or as time restrictions have lapsed or program restrictions are met and are shown as net assets released from restrictions in the accompanying combining statements of activities and changes in net assets. Rental income is recorded over the rental agreement period using the straight-line method (see Note 7). All other revenue is recognized as earned.

Measuring Charity Care

The Health Center has a policy of providing free care services to patients who are unable to pay. Such patients are identified based upon financial information obtained from the patient prior to services being rendered. The Health Center provided approximately \$4,531,000 and \$5,252,000 of free care during the years ended June 30, 2019 and 2018, respectively. The cost of providing free care was calculated by multiplying the percentages of gross free care charges to total gross by the total cost of providing patient services. The Health Center billed the Massachusetts Health Safety Net (HSN) approximately \$5,181,000 and \$5,340,000 for these services for the years ended June 30, 2019 and 2018, respectively. The Health Center adjudicates claims for these services; therefore, charges for free care have been included in net patient service revenue in the accompanying combining statements of activities and changes in net assets. The Health Center received reimbursement from HSN for free care services of approximately \$7,575,049 and \$6,250,385 during the years ended June 30, 2019 and 2018, respectively.

Donated Services

Various organizations and individuals contribute professional and contracted services to the Health Center in support of its programs. These services are reflected as donated services in the accompanying combining financial statements based upon their fair market value as determined by the donors. During the years ended June 30, 2019 and 2018, the Health Center received donated services valued at \$185,431 and \$232,302, respectively, which are included in salaries in the accompanying combining statements of functional expenses.

Expense Allocation

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

The combining financial statements contain certain categories of expenses that are attributable to programs and supporting functions; therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and fringe benefits, which are allocated based on the time and level of effort by function, and occupancy and depreciation, which are allocated based on facility square footage. Additional expenses that are allocated include information technology, telephone, office supplies and training, conferences and meetings, which are allocated based on estimates of head count utilized.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2019 and 2018

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of combining 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 disclosure of contingent assets and liabilities at the date of the combining financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

Interest Rate Swap Agreement

The fair value of the interest rate swap agreement is the estimated amount that the Agency would have to pay to receive or terminate the agreement as of the combining statements of financial position date, taking into account current interest rates and the current creditworthiness of the swap counterparty. These inputs to the fair value estimate are considered Level 2 in the fair value hierarchy (see Note 6).

All Other Assets and Liabilities

The carrying value of all other assets and liabilities, including notes and bond payable, does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2019 and 2018

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through October 23, 2019, which is the date the combining financial statements were available to be issued. There were no events that met the criteria for disclosure in the combining financial statements.

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 combining 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 combining financial statements at June 30, 2019 and 2018. The Agency's information returns are subject to examination by the Federal and state jurisdictions.

Combining Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of medical, dental, optometry, mental, pharmacy, and support services are reported as operating revenue and public support and operating expenses in the accompanying combining statements of activities and changes in net assets. Non-operating revenues include capital grants and contributions for property and equipment and unrealized gain (loss) on the interest rate swap agreement.

2. 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 represent funds available to carry on the operations of the Agency.

Property and Equipment reflect and account for the activities relating to the Agency's property and equipment, construction in progress, net of related deferred rent and accounts payable.

With Donor Restrictions

The Health Center receives contributions and grants which are designated by donors for specific purposes. These contributions are recorded as net assets with donor restrictions until they are expended for their designated purposes. Net assets with donor restrictions consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Program restricted	\$ 417,633	\$ 231,780
Capital restricted	<u>50,000</u>	<u>-</u>
	<u>\$ 467,633</u>	<u>\$ 231,780</u>

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2019 and 2018

3. FUNDING

The Health Center receives a significant portion of its total revenues and support (approximately 8% in fiscal years 2019 and 2018) from the U.S. Department of Health and Human Services (HHS). Payments to the Health Center are subject to audit by HHS. Any cash received in excess of revenue recognized is recorded as deferred revenue. In the opinion of management, the results of such audits, if any, will not have a material effect on the combining financial position of the Health Center as of June 30, 2019 and 2018, or on the changes in its net assets for the years then ended.

Charges made to most third-party payors 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 effects of such determinations or adjustments, if any, will not have a material effect on the combining financial position of the Health Center as of June 30, 2019 and 2018, or on the changes in its net assets for the years then ended.

The Health Center is entitled to receive settlements based upon the submission of cost reports. These settlements are not readily determinable and are, therefore, recorded as revenue when received.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Building and building improvements	\$ 22,942,236	\$ 22,942,236
Equipment and furnishings	15,774,511	15,774,511
Medical and dental equipment	2,689,235	2,683,243
Capital leased equipment - intercompany	843,325	843,325
Land	703,200	703,200
Technology	<u>414,534</u>	<u>362,899</u>
	43,367,041	43,309,414
Less - accumulated depreciation	<u>18,146,886</u>	<u>16,060,523</u>
	<u>\$ 25,220,155</u>	<u>\$ 27,248,891</u>

5. LINE OF CREDIT

The Health Center has available up to \$1,500,000 under a line of credit agreement with a bank. Borrowings under the agreement are due on demand and interest is payable monthly at the London Interbank Offered Rate (LIBOR) Advantage Interest Rate (2.40% and 2.10% at June 30, 2019 and 2018, respectively), plus 2.5% per annum, as defined in the agreement. The line of credit is cross-collateralized with the bonds payable (see Note 6). The balance under this agreement was \$1,483,931 at June 30, 2019. There was no balance outstanding under this agreement at June 30, 2018.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2019 and 2018

6. LONG-TERM DEBT

Bonds Payable

During December 2013, the Health Center entered into an agreement with the Massachusetts Development Finance Agency (MDFA) and a bank in connection with the issuance of \$9,431,000 of MDFA Revenue Bonds Series 2013 (the Bonds). The Bonds were issued to the bank to refinance a previous mortgage on the Health Center's building. The Bonds are secured by a first mortgage on the building and all other assets of the Health Center and is cross-collateralized with the line of credit (see Note 5).

Beginning in January 2014, the Bonds required monthly payments of fixed principal increasing every six months, as defined in the agreement, plus interest, until the Bonds' maturity, December 26, 2043. The interest rate is adjusted monthly based on the Adjusted LIBOR (2.40% and 2.10% at June 30, 2019 and 2018, respectively), as defined in the agreement, plus 218 basis points (2.18%). The Bonds are subject to mandatory purchase by the bank on December 26, 2023 (Mandatory Purchase Date). The Health Center may request an extension of the Mandatory Purchase Date by delivery of written notice to the Registered Owner by June 23, 2023. The Bonds may be prepaid by the Health Center, but are subject to penalties, as defined in the agreement. As of June 30, 2019 and 2018, the balance of the Bonds was \$8,435,700 and \$8,633,700, respectively. Interest expense related to this agreement was \$204,204 and \$242,019 for the years ended June 30, 2019 and 2018, respectively.

The Health Center is subject to certain covenants as specified in the agreement. The Health Center was in compliance with these covenants as of June 30, 2019 and 2018.

Interest Rate Swap Agreement

To hedge against potential interest rate exposure under the floating rate, the Health Center entered into an interest rate swap agreement. As of June 30, 2019 and 2018, the Health Center has an interest rate swap contract with the following terms, which effectively fixes the interest rate on a portion of the Bonds' proceeds:

Notional Amount	\$ 9,362,000
Fixed Rate Assumed by the Health Center	2.28%
Basis for Variable Rate Assumed by Counterparty	USD-LIBOR-BBA x 0.72
Effective Date	December 27, 2013
Termination Date	December 27, 2023
Counterparty	RBS Citizen's N.A.

The swap contract is reported at fair value in the accompanying combining statements of financial position. Fair values are derived using Level 2 inputs (see Note 1), including prevailing credit spreads, market liquidity, assumed transaction and hedging costs, and other factors. Any gain or loss in the value of the interest rate swap arrangement is recorded as a change in net assets without donor restrictions in the combining statements of activities and changes in net assets. The Health Center recorded an unrealized gain (loss) of \$(258,821) and \$318,892 on the carrying value of this swap contract for the years ended June 30, 2019 and 2018, respectively. Interest expense related to the swap contract was \$56,329 and \$94,376 for the years ended June 30, 2019 and 2018, respectively.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2019 and 2018

6. LONG-TERM DEBT (Continued)

New Market Tax Credits Loan

During September 2014, BNHC@V entered into a note payable agreement with New Markets Investment 77, LLC (NMI 77) in connection with the financing of the rehabilitation of the Vicente's building located in Brockton, Massachusetts (see Note 12). The note was issued in two tranches with the first tranche in the amount of \$3,247,000 and the second tranche in the amount of \$4,775,000. The note is secured by a first mortgage on the Vicente's building and guaranteed by the Health Center.

Beginning in September 2014, the first tranche required interest-only monthly payments, as defined in the agreement, at a rate of 3.99%. Commencing in April 2017, principal and accrued interest are due and payable in equal consecutive monthly installments of \$17,121. In December 2021, a balloon payment of \$2,091,713 is due. The remaining principal balance will be payable in equal monthly principal and interest payments of \$4,699 for the remainder of the loan term through maturity of March 16, 2042, whereupon all unpaid principal and accrued interest shall be due. The balance outstanding was \$3,094,974 and \$3,174,140 as of June 30, 2019 and 2018, respectively.

Beginning in January 2015, the second tranche required interest-only monthly payments, as defined in the agreement, at a variable rate defined as the seven-year LIBOR swap rate, plus 1.7% to 2%. Commencing in April 2017 (the thirty-first month after the month of the initial interest payment), principal and accrued interest are payable in equal monthly installments based on a twenty-five-year amortization schedule. In December 2021, a balloon payment of \$3,108,885 is due. The remaining principal balance will be payable in equal monthly principal and interest payments of \$6,835 for the remainder of the loan term through maturity of June 18, 2042, whereupon all unpaid principal and accrued interest shall be due. The balance outstanding as of June 30, 2019 and 2018, was \$4,526,185 and \$4,641,959, respectively. Interest expense related to both tranches was \$312,647 and \$324,459 for the years ended June 30, 2019 and 2018, respectively.

BNHC@V is required to comply with certain covenants as described in the note payable agreements. These covenants include compliance with certain NMTC financing requirements. BNHC@V was in compliance with these covenants at June 30, 2019 and 2018.

Principal payments for the next five years on all long-term debt are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 407,933
2021	\$ 426,104
2022	\$ 5,545,268
2023	\$ 296,056
2024	\$ 307,464

7. LEASE AGREEMENTS

Operating Leases

Eaton Apothecary (the Pharmacy) rents space from the Health Center under a lease agreement which expired on October 31, 2017, and is now month-to-month. Annual fixed rental income is \$31,000, plus a pro-rata share of certain operating expenses. Rental income under the lease agreement was \$67,310 and \$66,861 for the years ended June 30, 2019 and 2018, respectively.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2019 and 2018

7. LEASE AGREEMENTS (Continued)

Operating Leases (Continued)

The Health Center has a lease agreement with Steward Good Samaritan Medical Center, Inc. (Good Samaritan), under which Good Samaritan leases space and equipment from the Health Center. The leases commenced in December 2011. The leases originally expired in 2016 but are extended automatically for an unlimited number of successive one-year periods unless the Health Center or Good Samaritan provides in advance a sixty-day written notice to terminate the leases. Future minimum lease payments under these agreements for the next year are approximately \$47,600 for space and \$38,000 for equipment. Rental income under these leases was approximately \$137,000 and \$136,000 for the years ended June 30, 2019 and 2018, respectively.

In January 2019, the Health Center entered into a one-year lease agreement for additional office space located on School Street in Brockton, Massachusetts. Under this agreement, the Health Center is required to make monthly rent payments of \$2,000 through December 31, 2019. Rental expense under this lease for the year ended June 30, 2019, was \$12,000, which is included in rent expense in the accompanying combining statement of functional expenses.

The Health Center and BNHC@V have entered into a facility lease agreement expiring on December 31, 2042. As part of this agreement, the Health Center will pay annual base lease payments as defined in the agreement. Base rent is due in equal monthly payments, pro-rated for partial periods. The Health Center is also required to pay additional rent, as defined in the agreement.

Future minimum rent payments under this agreement for the next five years are as follows:

<u>Year</u>	<u>Facility</u>
2020	\$ 522,469
2021	\$ 509,969
2022	\$ 572,528
2023	\$ 624,678
2024	\$ 601,787

In accordance with ASC Topic, *Leases*, the Health Center and BNHC@V recognize the rent expense and income associated with the facility lease agreement on a straight-line basis. As a result, the Health Center has recorded \$461,523 and \$409,906 of deferred rent liability, and BNHC@V recorded a deferred rent asset in the same amount, under this agreement, which is eliminated in the accompanying combining statements of financial position as of June 30, 2019 and 2018, respectively. The total rental income and expense of \$573,000 between the Health Center and BNHC@V has been also eliminated in the accompanying combining statements of activities and changes in net assets for each of the years ended June 30, 2019 and 2018. As of June 30, 2019 and 2018, the Health Center owes BNHC@V \$811,887 and \$484,409, respectively, under this agreement.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2019 and 2018

7. LEASE AGREEMENTS (Continued)

Capital Lease

BNHC@V acquired certain equipment for \$843,325 which the Health Center leases from BNHC@V under a capital lease agreement expiring on March 30, 2026. The fair value of the equipment approximates its cost basis. As part of this agreement, the Health Center will make total payments of \$1,200,004, which are due and payable in annual principal and interest installments of \$106,667 on or before October 20th of each calendar year, pro-rated for a partial period in year 2026. The Health Center made a payment of \$165,677 in fiscal year 2019 which related to principal. The Health Center made a payment of \$50,327 in fiscal year 2018, of which \$17,764 and \$32,563 related to principal and interest, respectively.

Future minimum lease payments under this agreement are as follows:

<u>Fiscal Year</u>	
2020	\$ 65,165
2021	106,667
2022	106,667
2023	106,667
2024	106,667
Thereafter	<u>449,734</u>
	941,567
Less - amounts representing interest	<u>267,776</u>
	673,791
Less - current principal portion	<u>65,165</u>
	<u>\$ 608,626</u>

The Health Center recorded a capital lease obligation in the amount of \$567,124 and \$792,998 at June 30, 2019 and 2018, respectively, in accordance with the requirement of ASC Topic, *Leases*. The capital lease obligation and receivable are eliminated in the accompanying combining statements of financial position as of June 30, 2019 and 2018. Interest expense on the capital lease for the years ended June 30, 2019 and 2018, was \$46,470 and is included in interest expense in the accompanying combining statements of activities and changes in net assets. As of June 30, 2019, there was no accrued interest relating to the capital lease. Interest accrued and unpaid on the capital lease as of June 30, 2018, was \$46,470, which is included in current portion of capital lease receivable in the accompanying combining financial statements.

8. RELATED PARTY TRANSACTIONS

The Health Center entered into the following transactions with its related parties:

- A member of the Board of Directors is an employee of an organization from which the Health Center received professional services related to data reporting. During fiscal years 2019 and 2018, the Health Center paid the organization \$71,983 and \$72,924, respectively, for services provided.
- A member of the Board of Directors is an employee of an organization from which the Health Center received consulting services for nutritional programs. During each of the fiscal years 2019 and 2018, the Health Center paid the organization \$7,900 and \$57,402, respectively, for services provided.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2019 and 2018

8. RELATED PARTY TRANSACTIONS (Continued)

- The Health Center leases space under a facility lease agreement with BNHC@V (see Note 7).
- The Health Center has acquired equipment from BNHC@V which qualifies as a capital lease (see Note 7).
- The Chief Executive Officer (CEO) and Medical Director of the Health Center serve on the Board of Directors of Community Care Cooperative, Inc. (C3), a tax-exempt organization under Section 501(c)4 of the IRC and pilot MassHealth Accountable Care Organization (ACO)(see Note 14). The Health Center has an outstanding note receivable with C3 (see Note 11).

9. TAX DEFERRED 403(B) PLAN

The Health Center maintains a tax deferred 403(b) retirement plan, under which the Health Center matches 100% of employee contributions to the plan, up to 3% of an employee's total annual compensation. The Health Center's contribution to this plan was \$603,518 and \$418,053 for the years ended June 30, 2019 and 2018, respectively, and is included in payroll taxes and fringe benefits in the accompanying combining statements of functional expenses.

10. 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 Health Center 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 Health Center through its Section 330 Community Health Center grant administered by HRSA. The coverage afforded the Health Center is comparable to an occurrence-based policy without a monetary cap. The coverage is applicable to the Health Center, its officers, Board members, employees, and contractors who are physicians or other licensed or certified health care practitioners.

11. NOTES RECEIVABLE

During fiscal year 2015, BNHC@V received a capital grant from the Department of Health and Human Services for approximately \$800,000 to be used partially to help finance the Vicente's Property and the remainder is to be used to loan to Vicente's Supermarket Corp (the Supermarket) for the purposes of assisting in the development of a supermarket. In January 2015, the Health Center entered into a note receivable agreement with the Supermarket for \$751,106. Interest-only payments were due through December 1, 2016, at a rate of .25% annually. Commencing on January 1, 2017 through January 1, 2040 (the Maturity Date), principal and interest are due in monthly installments of \$2,801 based on a twenty-three-year amortization schedule. The outstanding balance on the note receivable was \$671,540 and \$711,385 at June 30, 2019 and 2018, respectively.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2019 and 2018

11. NOTES RECEIVABLE (Continued)

Principal maturities of the notes receivable over the next five years are as follows:

<u>Fiscal Year</u>	
2020	\$ 29,299
2021	\$ 32,039
2022	\$ 32,119
2023	\$ 32,200
2024	\$ 32,280

During fiscal year 2017, the Health Center joined C3 (see Note 14). C3 is a newly formed health care corporation organized to take responsibility for managing the cost and quality of health care for its members including the Health Center. The Health Center entered into a note receivable agreement with C3 for \$100,000. Interest accrued on the unpaid principal balance at an annual rate of .66%. The principal balance on the note and accrued interest were paid in full in September 2018. Accrued interest was \$1,091 at June 30, 2018.

12. PUT AND CALL OPTION

Put Option

BNHC@V is required to comply with certain NMTC compliance requirements for a period of seven years beginning in September 2014 (NMTC Recapture Period). The Health Center has entered into an agreement with NMI 77 (see Note 6) for the Health Center to purchase the outstanding debt of BNHC@V (the Put Option) after the NMTC Recapture Period for \$1,000. The right may be exercised by NMI 77 by giving written notice to the Health Center not more than thirty days before the close of the NMTC Recapture Period and ending six months after the NMTC Recapture Period ends (the Put Period).

Call Option

In the event that NMI 77 does not exercise the Put Option, the Health Center shall have the right and option at any time during the six months after the Put Period (the Call Period) to purchase the 99% limited partner interest in NMI 77 (the Call Option) equal to the fair market value of the limited partner's company interest, as defined in the agreement.

13. CONTINGENCY

In the ordinary course of its business, the Agency is, from time-to-time, involved in disputes concerning individuals' employment with the Agency. The Agency denies any wrongdoing in these cases and is taking the appropriate legal steps in defense of these disputes. It is management's opinion that any potential settlement would not be material to the accompanying combining financial statements as of June 30, 2019 and 2018.

14. ACCOUNTABLE CARE ORGANIZATION

The Health Center has partnered with C3 (see Note 8). The Health Center could be subject to settlements due back to C3 if actual spending is more than the targeted spending based upon certain criteria as defined in the C3 contract. During fiscal year 2019, C3 had the Health Center set aside approximately \$84,000 in escrow for potential liability owed to C3.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2019 and 2018

15. LIQUIDITY

Financial assets available for use by the Agency within one year from the combining statements of financial position date are as follows as of June 30, 2019:

Cash and cash equivalents	\$ 2,533,009
Patient service fees receivable, net	10,080,215
Contracts and grants receivable	<u>754,989</u>
Total	<u>\$ 13,368,213</u>

The Health Center has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2019, the Health Center has financial assets equal to approximately three months of operating expenses. In addition, the Health Center has a line of credit agreement (see Note 5) which allows for additional available borrowings up to approximately \$16,000.

16. RECLASSIFICATION

Certain amounts in the fiscal year 2018 combining financial statements have been reclassified to conform with the fiscal year 2019 presentation.

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC. AND AFFILIATE

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

Federal Grantor/ Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Direct:			
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) (Health Center Program Cluster)	93.224	N/A	\$ 4,351,681
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	307,167
Pass-through Commonwealth of Massachusetts, Department of Public Health:			
Opioid STR	93.788	2330MM3W19021133	278,159
HIV Care Formula Grants	93.917	4944MM3181926010	205,253
Innovative State and Local Public Health Strategies to Prevent and Manage Diabetes and Heart Disease and Stroke	93.435	4104MM3W19004030	135,938
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	3712M03170421250	110,000
HIV Prevention Activities Health Department Based	93.940	4944MM3181926010	46,720
Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	93.235	3211MM3W19020003	40,000
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2351M03183626034	<u>17,010</u>
Total Expenditures of Federal Awards			<u>\$ 5,491,928</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 Requirements 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.



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**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Combining Financial Statements Performed in Accordance
With Government Auditing Standards**

Independent Auditor's Report

To the Board of Directors of
Brockton Neighborhood Health Center, Inc. and Affiliate:

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 combining financial statements of Brockton Neighborhood Health Center, Inc. (a Massachusetts corporation, not for profit) and Affiliate (collectively, the Agency), which comprise the combining statement of financial position as of June 30, 2019, and the related combining statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the combining financial statements, and have issued our report thereon dated October 23, 2019.

Internal Control Over Financial Reporting

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

Alexander, Brown, Fenning & Co., P.C.

Westborough, Massachusetts
October 23, 2019



**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
Brockton Neighborhood Health Center, Inc. and Affiliate:

Report on Compliance for Each Major Federal Program

We have audited Brockton Neighborhood Health Center, Inc. and Affiliate's (collectively, 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 the 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.

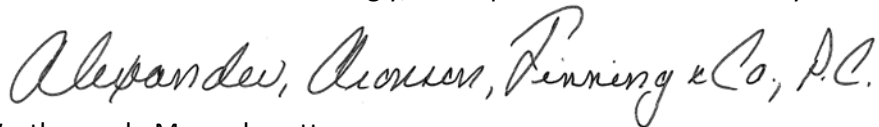
Report on Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. 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.



Westborough, Massachusetts
October 23, 2019

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC. AND AFFILIATE

Schedule of Findings and Questioned Costs
June 30, 2019

1. SUMMARY OF AUDITOR'S RESULTS

Combining Financial Statements

Type of auditor's report issued on whether the combining 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 No

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to combining financial statements noted? Yes No

Federal Awards

Internal control over major Federal program:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes 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 No

Identification of major Federal program:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Health Centers Program Cluster	93.224

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

Auditee qualified as low-risk auditee? Yes No

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC. AND AFFILIATE

Schedule of Findings and Questioned Costs
June 30, 2019

2. COMBINING FINANCIAL STATEMENT FINDINGS

None

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

BROCKTON NEIGHBORHOOD HEALTH CENTER, INC. AND AFFILIATE

Schedule of Findings and Questioned Costs
June 30, 2019

Status of Prior Year Findings

Finding 2018-001: Third Party Billing and Accounts Receivable

Finding Summary: We identified ten instances where the fee billed for did not agree to the Agency's fee schedule during fiscal year 2018. Of these ten claims, eight instances represented claims that were under billed while two claims were over billed. In addition to the testing results, an adjusting journal entry was required to state receivables at their estimated net realizable value.

Current Status: This finding has been resolved.