

FENWAY  HEALTH

FENWAY COMMUNITY HEALTH CENTER, INC. AND AFFILIATE

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

FENWAY COMMUNITY 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
Fenway Community Health Center, Inc. and Affiliate:

Report on the Combining Financial Statements

We have audited the accompanying combining financial statements of Fenway Community Health Center, Inc. and Affiliate (Massachusetts corporations, not for profit) (collectively, the Center) 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 Combining 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 Fenway Community 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 29, 2019, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

AAFCPA, Inc.

Westborough, Massachusetts
October 29, 2019

FENWAY COMMUNITY HEALTH CENTER, INC. AND AFFILIATE

 Combining Statements of Financial Position
 June 30, 2019 and 2018

	2019			2018		
	Fenway Community Health Center, Inc.	Fenway Community Realty Corporation	Total	Fenway Community Health Center, Inc.	Fenway Community Realty Corporation	Total
Assets						
Current Assets:						
Cash and cash equivalents	\$ 9,756,733	\$ 3,274	\$ 9,760,007	\$ 27,690,638	\$ 3,167	\$ 27,693,805
Contract and other receivables	8,106,837	-	8,106,837	6,912,710	-	6,912,710
Patient service receivables, net of allowance for uncollectible accounts of approximately \$3,200,000 and \$2,734,000 as of June 30, 2019 and 2018, respectively	5,571,929	-	5,571,929	3,529,650	-	3,529,650
Accounts receivable - pharmacy, net of allowance for uncollectible accounts of approximately \$2,254,685 and \$1,838,000 as of June 30, 2019 and 2018, respectively	4,187,273	-	4,187,273	3,814,348	-	3,814,348
Certificates of deposit	10,048,090	-	10,048,090	-	-	-
Inventory, net	2,621,562	-	2,621,562	2,436,640	-	2,436,640
Prepaid expenses and deposits	1,306,062	-	1,306,062	1,696,437	-	1,696,437
Total current assets	41,598,486	3,274	41,601,760	46,080,423	3,167	46,083,590
Other Assets:						
Investments	13,620,421	-	13,620,421	11,627,497	-	11,627,497
Due (to) from affiliate	5,207,180	(5,207,180)	-	4,500,137	(4,500,137)	-
Interest rate swap contract in gain position	173,767	-	173,767	684,506	-	684,506
Assets held under split-interest agreement	147,440	-	147,440	147,440	-	147,440
Total other assets	19,148,808	(5,207,180)	13,941,628	16,959,580	(4,500,137)	12,459,443
Property and Equipment:						
Land, building and improvements	31,782,198	30,729,667	62,511,865	29,736,760	30,729,667	60,466,427
Furniture, fixtures and equipment	15,096,039	-	15,096,039	14,003,416	-	14,003,416
Leasehold improvements	3,785,905	-	3,785,905	3,283,135	-	3,283,135
	50,664,142	30,729,667	81,393,809	47,023,311	30,729,667	77,752,978
Less - accumulated depreciation	21,316,950	5,047,787	26,364,737	19,597,825	4,420,753	24,018,578
Net property and equipment	29,347,192	25,681,880	55,029,072	27,425,486	26,308,914	53,734,400
Total assets	\$ 90,094,486	\$ 20,477,974	\$ 110,572,460	\$ 90,465,489	\$ 21,811,944	\$ 112,277,433
Liabilities and Net Assets						
Current Liabilities:						
Current portion of long-term debt	\$ 15,000	\$ 745,000	\$ 760,000	\$ 25,000	\$ 700,000	\$ 725,000
Accounts payable and accrued expenses	11,909,413	29,104	11,938,517	15,193,062	34,884	15,227,946
Deferred revenue	9,617	-	9,617	212,084	-	212,084
Total current liabilities	11,934,030	774,104	12,708,134	15,430,146	734,884	16,165,030
Long-Term Liabilities:						
Long-term debt, net	518,302	19,260,000	19,778,302	519,937	20,005,000	20,524,937
Deferred compensation	2,187,870	-	2,187,870	1,887,870	-	1,887,870
Total liabilities	14,640,202	20,034,104	34,674,306	17,837,953	20,739,884	38,577,837
Net Assets:						
Without donor restrictions:						
Operating	38,835,093	(25,830)	38,809,263	38,694,213	(31,717)	38,662,496
Property and equipment	34,194,837	469,700	34,664,537	32,065,192	1,103,777	33,168,969
Total without donor restrictions	73,029,930	443,870	73,473,800	70,759,405	1,072,060	71,831,465
With donor restrictions	2,424,354	-	2,424,354	1,868,131	-	1,868,131
Total net assets	75,454,284	443,870	75,898,154	72,627,536	1,072,060	73,699,596
Total liabilities and net assets	\$ 90,094,486	\$ 20,477,974	\$ 110,572,460	\$ 90,465,489	\$ 21,811,944	\$ 112,277,433

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

FENWAY COMMUNITY 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			
	Fenway Community Health Center, Inc.	Fenway Community Realty Corporation	Eliminations	Total	Fenway Community Health Center, Inc.	Fenway Community Realty Corporation	Eliminations	Total
Changes in Net Assets Without Donor Restrictions:								
Operating revenue and support:								
Net patient service revenue	\$ 88,720,315	\$ -	\$ -	\$ 88,720,315	\$ 84,503,061	\$ -	\$ -	\$ 84,503,061
Contracts and grants	22,454,429	-	-	22,454,429	22,416,695	-	-	22,416,695
Retail store sales	3,140,300	-	-	3,140,300	3,127,468	-	-	3,127,468
Interest and other income	2,448,823	-	-	2,448,823	1,677,204	-	-	1,677,204
Contributions	1,464,675	-	-	1,464,675	2,059,836	-	-	2,059,836
Special events, net of direct costs of approximately \$398,000 and \$420,000 in 2019 and 2018, respectively	1,342,183	-	-	1,342,183	1,558,189	-	-	1,558,189
Rental income	51,872	400,497	(400,497)	51,872	46,872	414,028	(414,028)	46,872
Net assets released from purpose restrictions	492,802	-	-	492,802	264,618	-	-	264,618
Total operating revenue and support	<u>120,115,399</u>	<u>400,497</u>	<u>(400,497)</u>	<u>120,115,399</u>	<u>115,653,943</u>	<u>414,028</u>	<u>(414,028)</u>	<u>115,653,943</u>
Operating expenses:								
Program services:								
Medical Services	28,749,571	-	(167,255)	28,582,316	24,970,937	-	(172,905)	24,798,032
Pharmacy	37,978,226	-	(24,935)	37,953,291	38,011,661	-	(25,777)	37,985,884
Research	10,574,003	-	(75,992)	10,498,011	9,651,215	-	(78,559)	9,572,656
Behavioral Health	7,949,162	-	(70,603)	7,878,559	7,203,114	-	(72,989)	7,130,125
Patient Support	4,452,854	-	(3,210)	4,449,644	3,405,979	-	(3,318)	3,402,661
AIDS Action Committee	7,801,313	-	-	7,801,313	8,008,876	-	-	8,008,876
Total program services	<u>97,505,129</u>	<u>-</u>	<u>(341,995)</u>	<u>97,163,134</u>	<u>91,251,782</u>	<u>-</u>	<u>(353,548)</u>	<u>90,898,234</u>
Supporting services:								
General and Administrative	11,319,564	-	(39,790)	11,279,774	13,145,932	-	(41,134)	13,104,798
Facilities	1,321,237	1,028,687	(11,941)	2,337,983	964,326	895,395	(12,345)	1,847,376
Public Relations	1,511,554	-	(1,561)	1,509,993	1,182,806	-	(1,615)	1,181,191
Fundraising	6,689,685	-	(5,210)	6,684,475	5,950,472	-	(5,386)	5,945,086
Total supporting services	<u>20,842,040</u>	<u>1,028,687</u>	<u>(58,502)</u>	<u>21,812,225</u>	<u>21,243,536</u>	<u>895,395</u>	<u>(60,480)</u>	<u>22,078,451</u>
Total operating expenses	<u>118,347,169</u>	<u>1,028,687</u>	<u>(400,497)</u>	<u>118,975,359</u>	<u>112,495,318</u>	<u>895,395</u>	<u>(414,028)</u>	<u>112,976,685</u>
Changes in net assets without donor restrictions from operations	<u>1,768,230</u>	<u>(628,190)</u>	<u>-</u>	<u>1,140,040</u>	<u>3,158,625</u>	<u>(481,367)</u>	<u>-</u>	<u>2,677,258</u>
Non-operating revenue:								
Investment income	1,013,034	-	-	1,013,034	843,477	-	-	843,477
Bequest	-	-	-	-	1,826,510	-	-	1,826,510
Realized and unrealized gain (loss) on carrying value of interest rate swap contract	(510,739)	-	-	(510,739)	263,556	-	-	263,556
Total non-operating revenue	<u>502,295</u>	<u>-</u>	<u>-</u>	<u>502,295</u>	<u>2,933,543</u>	<u>-</u>	<u>-</u>	<u>2,933,543</u>
Changes in net assets without donor restrictions	<u>2,270,525</u>	<u>(628,190)</u>	<u>-</u>	<u>1,642,335</u>	<u>6,092,168</u>	<u>(481,367)</u>	<u>-</u>	<u>5,610,801</u>
Changes in Net Assets With Donor Restrictions:								
Grants, contracts and contributions	942,103	-	-	942,103	484,352	-	-	484,352
Investment income	106,922	-	-	106,922	133,806	-	-	133,806
Net assets released from purpose restrictions	(492,802)	-	-	(492,802)	(264,618)	-	-	(264,618)
Changes in net assets with donor restrictions	<u>556,223</u>	<u>-</u>	<u>-</u>	<u>556,223</u>	<u>353,540</u>	<u>-</u>	<u>-</u>	<u>353,540</u>
Changes in net assets	<u>2,826,748</u>	<u>(628,190)</u>	<u>-</u>	<u>2,198,558</u>	<u>6,445,708</u>	<u>(481,367)</u>	<u>-</u>	<u>5,964,341</u>
Net Assets:								
Beginning of year	<u>72,627,536</u>	<u>1,072,060</u>	<u>-</u>	<u>73,699,596</u>	<u>66,181,828</u>	<u>1,553,427</u>	<u>-</u>	<u>67,735,255</u>
End of year	<u>\$ 75,454,284</u>	<u>\$ 443,870</u>	<u>\$ -</u>	<u>\$ 75,898,154</u>	<u>\$ 72,627,536</u>	<u>\$ 1,072,060</u>	<u>\$ -</u>	<u>\$ 73,699,596</u>

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

FENWAY COMMUNITY HEALTH CENTER, INC. AND AFFILIATE

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

	2019			2018		
	Fenway Community Health Center, Inc.	Fenway Community Realty Corporation	Total	Fenway Community Health Center, Inc.	Fenway Community Realty Corporation	Total
Cash Flows from Operating Activities:						
Changes in net assets	\$ 2,826,748	\$ (628,190)	\$ 2,198,558	\$ 6,445,708	\$ (481,367)	\$ 5,964,341
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:						
Depreciation	1,719,125	627,034	2,346,159	2,353,889	479,886	2,833,775
Imputed interest - debt issuance costs	13,365	-	13,365	13,365	-	13,365
Realized and unrealized (gain) loss on carrying value of interest rate swap contract	510,739	-	510,739	(263,556)	-	(263,556)
Realized and unrealized gains on investments	(836,061)	-	(836,061)	(771,070)	-	(771,070)
Changes in operating assets and liabilities:						
Contract and other receivables	(1,194,127)	-	(1,194,127)	(2,681,278)	-	(2,681,278)
Patient service receivables	(2,042,279)	-	(2,042,279)	(1,259,954)	-	(1,259,954)
Accounts receivable - pharmacy	(372,925)	-	(372,925)	(310,744)	-	(310,744)
Inventory	(184,922)	-	(184,922)	497,792	-	497,792
Prepaid expenses and deposits	390,375	-	390,375	(474,328)	-	(474,328)
Accounts payable and accrued expenses	(1,704,349)	(5,780)	(1,710,129)	4,445,889	(2,117)	4,443,772
Due (to) from	(707,043)	707,043	-	(581,070)	581,070	-
Deferred revenue	(202,467)	-	(202,467)	(144,984)	-	(144,984)
Deferred compensation	300,000	-	300,000	651,066	-	651,066
Net cash provided by (used in) operating activities	<u>(1,483,821)</u>	<u>700,107</u>	<u>(783,714)</u>	<u>7,920,725</u>	<u>577,472</u>	<u>8,498,197</u>
Cash Flows from Investing Activities:						
Cash paid for property and equipment	(5,220,131)	-	(5,220,131)	(5,103,991)	-	(5,103,991)
Purchases of investments	(2,814,634)	-	(2,814,634)	(3,009,027)	-	(3,009,027)
Purchases of certificates of deposit	(10,048,090)	-	(10,048,090)	-	-	-
Proceeds from sales of investments	1,657,771	-	1,657,771	737,908	-	737,908
Net cash used in investing activities	<u>(16,425,084)</u>	<u>-</u>	<u>(16,425,084)</u>	<u>(7,375,110)</u>	<u>-</u>	<u>(7,375,110)</u>
Cash Flows from Financing Activities:						
Principal payments on long-term debt	(25,000)	(700,000)	(725,000)	(15,000)	(670,000)	(685,000)
Net Change in Cash and Cash Equivalents	<u>(17,933,905)</u>	<u>107</u>	<u>(17,933,798)</u>	<u>530,615</u>	<u>(92,528)</u>	<u>438,087</u>
Cash and Cash Equivalents:						
Beginning of year	<u>27,690,638</u>	<u>3,167</u>	<u>27,693,805</u>	<u>27,160,023</u>	<u>95,695</u>	<u>27,255,718</u>
End of year	<u>\$ 9,756,733</u>	<u>\$ 3,274</u>	<u>\$ 9,760,007</u>	<u>\$ 27,690,638</u>	<u>\$ 3,167</u>	<u>\$ 27,693,805</u>
Supplemental Disclosure of Cash Flow Information:						
Cash paid for interest	<u>\$ 12,082</u>	<u>\$ 400,497</u>	<u>\$ 412,579</u>	<u>\$ 12,455</u>	<u>\$ 414,028</u>	<u>\$ 426,483</u>
Unrealized gain on investments	<u>\$ 817,560</u>	<u>\$ -</u>	<u>\$ 817,560</u>	<u>\$ 694,556</u>	<u>\$ -</u>	<u>\$ 694,556</u>
Property and equipment financed with accounts payable and accrued expenses	<u>\$ 100,996</u>	<u>\$ -</u>	<u>\$ 100,996</u>	<u>\$ 1,680,296</u>	<u>\$ -</u>	<u>\$ 1,680,296</u>

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

FENWAY COMMUNITY HEALTH CENTER, INC. AND AFFILIATE

Combining Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services						Supporting Services					Fenway Community Realty Corporation	Eliminations	Total	
	Medical Services	Pharmacy	Research	Behavioral Health	Patient Support	AIDS Action Committee	Total Program Services	General and Adminis- trative	Facilities	Public Relations	Fundraising				Total
Payroll, Contracted Services and Related Costs:															
Payroll	\$ 16,502,182	\$ 2,166,682	\$ 5,566,306	\$ 5,076,359	\$ 2,781,657	\$ 3,135,756	\$ 35,228,942	\$ 4,462,751	\$ 517,982	\$ 997,570	\$ 3,041,033	\$ 44,248,278	\$ -	\$ -	\$ 44,248,278
Payroll taxes and benefits	4,392,333	550,491	1,527,082	1,696,720	1,058,422	1,118,431	10,343,479	2,018,836	218,312	189,128	917,095	13,686,850	-	-	13,686,850
Contract services	242,480	-	44,180	6,358	75,278	258,548	626,844	415,637	152,972	224	130	1,195,807	-	-	1,195,807
Training	110,878	7,752	4,290	16,828	14,809	20,465	175,022	48,749	69	978	6,905	231,723	-	-	231,723
GAP insurance	-	-	-	-	-	-	-	56,369	-	-	-	56,369	-	-	56,369
Total payroll, contracted services and related costs	<u>21,247,873</u>	<u>2,724,925</u>	<u>7,141,858</u>	<u>6,796,265</u>	<u>3,930,166</u>	<u>4,533,200</u>	<u>46,374,287</u>	<u>7,002,342</u>	<u>889,335</u>	<u>1,187,900</u>	<u>3,965,163</u>	<u>59,419,027</u>	<u>-</u>	<u>-</u>	<u>59,419,027</u>
Occupancy:															
Rent	783,288	116,855	355,818	330,684	15,006	729,001	2,330,652	413,740	55,896	7,315	813,284	3,620,887	-	(400,497)	3,220,390
Repairs and maintenance	795,872	118,732	361,535	335,996	15,247	86,742	1,714,124	204,333	56,794	7,432	94,512	2,077,195	-	-	2,077,195
Depreciation	111,581	147,398	41,039	30,852	17,282	242,916	591,068	80,862	5,128	5,867	114,551	797,476	627,034	-	1,424,510
Utilities	242,867	36,232	110,325	102,532	4,653	122,487	619,096	78,840	17,331	2,268	321,541	1,039,076	-	-	1,039,076
Mortgage interest	8,930	1,332	4,057	3,770	171	-	18,260	2,126	637	83	279	21,385	400,497	-	421,882
Insurance	85,540	12,761	38,857	36,113	1,639	86,949	261,859	35,289	6,104	799	16,200	320,251	-	-	320,251
Property taxes	55,478	8,276	25,201	23,421	1,063	-	113,439	13,205	3,959	518	1,728	132,849	-	-	132,849
Total occupancy	<u>2,083,556</u>	<u>441,586</u>	<u>936,832</u>	<u>863,368</u>	<u>55,061</u>	<u>1,268,095</u>	<u>5,648,498</u>	<u>828,395</u>	<u>145,849</u>	<u>24,282</u>	<u>1,362,095</u>	<u>8,009,119</u>	<u>1,027,531</u>	<u>(400,497)</u>	<u>8,636,153</u>
Other Program Costs:															
Pharmaceuticals	-	32,483,873	-	-	-	-	32,483,873	-	-	-	-	32,483,873	-	-	32,483,873
Medical supplies	3,217,706	122,578	78,726	-	2,211	-	3,421,221	-	-	-	-	3,421,221	-	-	3,421,221
Outside lab services	455,954	-	217,211	-	-	-	673,165	-	-	-	-	673,165	-	-	673,165
Program supplies	19,083	296	142,926	31,928	18,176	450,728	663,137	2,653	-	-	-	665,790	-	-	665,790
Total other program costs	<u>3,692,743</u>	<u>32,606,747</u>	<u>438,863</u>	<u>31,928</u>	<u>20,387</u>	<u>450,728</u>	<u>37,241,396</u>	<u>2,653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,244,049</u>	<u>-</u>	<u>-</u>	<u>37,244,049</u>
Other Expenses:															
Consultants	550,098	1,500	895,124	3,569	143,594	77,757	1,671,642	1,117,988	451	130,681	207,176	3,127,938	-	-	3,127,938
Professional fees	22,873	1,337,029	18,504	-	56,951	83,276	1,518,633	525,138	-	-	-	2,043,771	-	-	2,043,771
Client reimbursements	-	-	242,336	683	-	1,202,872	1,445,891	597	-	-	-	1,446,488	-	-	1,446,488
Equipment and software depreciation	239,966	316,995	88,259	66,350	37,167	-	748,737	94,172	11,028	12,617	55,095	921,649	-	-	921,649
Travel and conference	102,802	27,255	423,301	44,016	20,812	57,189	675,375	183,111	9,624	4,940	40,624	913,674	-	-	913,674
Telephone	58,121	1,361	21,173	11,591	3,927	365	96,538	676,092	6,161	65,912	22,087	866,790	-	-	866,790
Printing, postage and copying	39,858	460,597	35,501	6,128	17,914	3,692	563,690	34,715	43,540	39,894	76,441	758,280	-	-	758,280
MIS maintenance	348,566	1,371	81,670	22,836	17,386	-	471,829	188,900	987	-	72,144	733,860	-	-	733,860
Fundraising and events	-	-	-	-	-	35,050	35,050	-	-	-	515,883	550,933	-	-	550,933
Office supplies	116,442	4,008	48,928	9,119	28,198	-	206,695	81,122	180,224	2,461	61,441	531,943	-	-	531,943
Dues, subscriptions and fees	171,566	5,980	74,538	44,033	15,103	18,610	329,830	137,222	4,561	3,697	54,765	530,075	-	-	530,075
Miscellaneous	22,734	5,065	44,564	585	56,686	3,664	133,298	219,402	12,500	14,972	119,119	499,291	-	-	499,291
Bank charges and other interest	38,342	43,594	-	-	47,085	-	129,021	98,898	-	-	106,982	334,901	1,156	-	336,057
Advertising	7,696	-	49,379	39,016	700	66,815	163,606	50,085	5,998	24,198	30,076	273,963	-	-	273,963
Staff development	6,335	213	13,360	9,675	1,717	-	31,300	22,421	10,979	-	594	65,294	-	-	65,294
Advocacy	-	-	-	-	-	-	-	56,311	-	-	-	56,311	-	-	56,311
Transcription	-	-	19,813	-	-	-	19,813	-	-	-	-	19,813	-	-	19,813
Total other expenses	<u>1,725,399</u>	<u>2,204,968</u>	<u>2,056,450</u>	<u>257,601</u>	<u>447,240</u>	<u>1,549,290</u>	<u>8,240,948</u>	<u>3,486,174</u>	<u>286,053</u>	<u>299,372</u>	<u>1,362,427</u>	<u>13,674,974</u>	<u>1,156</u>	<u>-</u>	<u>13,676,130</u>
Total expenses	<u>\$ 28,749,571</u>	<u>\$ 37,978,226</u>	<u>\$ 10,574,003</u>	<u>\$ 7,949,162</u>	<u>\$ 4,452,854</u>	<u>\$ 7,801,313</u>	<u>\$ 97,505,129</u>	<u>\$ 11,319,564</u>	<u>\$ 1,321,237</u>	<u>\$ 1,511,554</u>	<u>\$ 6,689,685</u>	<u>\$ 118,347,169</u>	<u>\$ 1,028,687</u>	<u>\$ (400,497)</u>	<u>\$ 118,975,359</u>

FENWAY COMMUNITY HEALTH CENTER, INC. AND AFFILIATE

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

	Program Services						Supporting Services					Fenway Community Realty Corporation	Eliminations	Total	
	Medical Services	Pharmacy	Research	Behavioral Health	Patient Support	AIDS Action Committee	Total Program Services	General and Adminis- trative	Facilities	Public Relations	Fundraising				Total
Payroll, Contracted Services and Related Costs:															
Payroll	\$ 14,653,466	\$ 2,158,184	\$ 5,278,258	\$ 4,633,780	\$ 2,341,020	\$ 2,667,975	\$ 31,732,683	\$ 6,277,451	\$ 359,418	\$ 684,552	\$ 2,964,863	\$ 42,018,967	\$ -	\$ -	\$ 42,018,967
Payroll taxes and benefits	3,895,868	606,116	1,325,083	1,469,758	755,777	1,227,571	9,280,173	2,495,455	108,825	191,921	672,000	12,748,374	-	-	12,748,374
Contract services	89,058	-	37,143	7,955	355	361,674	496,185	453,957	69,245	-	-	1,019,387	-	-	1,019,387
Training	100,196	6,599	17,408	11,104	6,258	54,973	196,538	24,367	3,049	2,119	3,388	229,461	-	-	229,461
GAP insurance	-	-	-	-	-	-	-	53,760	-	-	-	53,760	-	-	53,760
Total payroll, contracted services and related costs	18,738,588	2,770,899	6,657,892	6,122,597	3,103,410	4,312,193	41,705,579	9,304,990	540,537	878,592	3,640,251	56,069,949	-	-	56,069,949
Occupancy:															
Rent	726,725	108,417	330,124	306,804	13,922	696,819	2,182,811	352,537	51,859	6,787	752,297	3,346,291	-	(414,028)	2,932,263
Repairs and maintenance	704,005	105,028	319,803	297,213	13,487	180,860	1,620,396	208,990	50,238	6,575	135,720	2,021,919	-	-	2,021,919
Depreciation	312,583	475,826	120,813	90,168	42,636	144,798	1,186,824	201,401	12,071	14,806	89,981	1,505,083	479,886	-	1,984,969
Utilities	265,802	39,654	120,744	112,215	5,092	112,740	656,247	90,891	18,968	2,482	288,087	1,056,675	-	-	1,056,675
Mortgage interest	9,308	1,389	4,228	3,930	178	-	19,033	2,216	664	87	289	22,289	414,028	-	436,317
Insurance	82,513	12,310	37,483	34,835	1,581	57,803	226,525	41,208	5,888	771	38,428	312,820	-	-	312,820
Property taxes	44,486	6,637	20,208	18,781	852	-	90,964	10,589	3,175	415	1,385	106,528	-	-	106,528
Total occupancy	2,145,422	749,261	953,403	863,946	77,748	1,193,020	5,982,800	907,832	142,863	31,923	1,306,187	8,371,605	893,914	(414,028)	8,851,491
Other Program Costs:															
Pharmaceuticals	-	32,294,944	-	-	-	-	32,294,944	-	-	-	-	32,294,944	-	-	32,294,944
Medical supplies	2,285,428	140,358	76,613	1,726	-	-	2,504,125	-	272	-	-	2,504,397	-	-	2,504,397
Outside lab services	457,979	21	248,175	-	-	-	706,175	-	-	-	-	706,175	-	-	706,175
Program supplies	10,204	-	169,256	17,484	12,117	639,697	848,758	667	-	-	-	849,425	-	-	849,425
Total other program costs	2,753,611	32,435,323	494,044	19,210	12,117	639,697	36,354,002	667	272	-	-	36,354,941	-	-	36,354,941
Other Expenses:															
Consultants	509,370	-	410,140	12,809	5,312	267,969	1,205,600	592,251	2,288	79,668	126,513	2,006,320	-	-	2,006,320
Professional fees	14,920	1,259,521	17,502	-	11,283	376,544	1,679,770	804,574	138	-	-	2,484,482	-	-	2,484,482
Client reimbursements	-	-	293,604	3,300	-	1,006,809	1,303,713	-	-	-	-	1,303,713	-	-	1,303,713
Equipment and software depreciation	214,721	326,856	82,989	61,938	29,287	-	715,791	101,233	8,292	10,171	13,319	848,806	-	-	848,806
Travel and conference	52,917	13,524	398,955	44,263	20,998	39,049	569,706	179,146	11,949	2,952	32,673	796,426	-	-	796,426
Telephone	31,415	2,125	18,392	8,073	2,808	75,839	138,652	422,657	4,578	78,794	21,124	665,805	-	-	665,805
Printing, postage and copying	40,329	400,409	35,905	4,787	22,651	5,109	509,190	31,506	33,437	32,700	67,388	674,221	-	-	674,221
MIS maintenance	184,685	-	60,986	139	5,623	-	251,433	186,270	-	-	-	437,703	-	-	437,703
Fundraising and events	-	-	-	-	550	-	550	-	328	-	322,030	322,908	-	-	322,908
Office supplies	84,598	3,683	70,863	7,233	20,950	108	187,435	73,549	150,893	5,907	64,875	482,659	-	-	482,659
Dues, subscriptions and fees	132,471	3,316	64,504	32,514	8,244	36,163	277,212	141,727	2,703	991	46,117	468,750	-	-	468,750
Miscellaneous	13,649	1,457	42,448	7,574	36,563	204	101,895	207,262	56,991	14,256	119,629	500,033	-	-	500,033
Bank charges and other interest	39,113	43,763	90	-	45,454	-	128,420	91,491	8	-	155,604	375,523	1,481	-	377,004
Advertising	11,636	-	34,948	5,608	-	56,172	108,364	38,615	-	46,852	33,680	227,511	-	-	227,511
Staff development	3,492	1,524	10,192	9,123	2,981	-	27,312	9,726	9,049	-	1,082	47,169	-	-	47,169
Advocacy	-	-	-	-	-	-	-	52,436	-	-	-	52,436	-	-	52,436
Transcription	-	-	4,358	-	-	-	4,358	-	-	-	-	4,358	-	-	4,358
Total other expenses	1,333,316	2,056,178	1,545,876	197,361	212,704	1,863,966	7,209,401	2,932,443	280,654	272,291	1,004,034	11,698,823	1,481	-	11,700,304
Total expenses	\$ 24,970,937	\$ 38,011,661	\$ 9,651,215	\$ 7,203,114	\$ 3,405,979	\$ 8,008,876	\$ 91,251,782	\$ 13,145,932	\$ 964,326	\$ 1,182,806	\$ 5,950,472	\$ 112,495,318	\$ 895,395	\$ (414,028)	\$ 112,976,685

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

FENWAY COMMUNITY HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2019 and 2018

1. OPERATIONS AND NONPROFIT STATUS

Operations

Fenway Community Health Center, Inc. (FCHC) is a nonprofit organization that provides quality affordable health care services to the greater Boston's lesbian, gay, bi-sexual, and transgender community and to residents of Greater Boston, including the Fenway neighborhood. FCHC is the Commonwealth of Massachusetts' largest community-based provider of medical and mental health services to people living with AIDS and HIV. FCHC is a leader in community-based research. FCHC's programs also include those formerly operated by AIDS Action Committee of Massachusetts, Inc. (AAC), which previously merged with FCHC. AAC programs are committed to combating the epidemic of AIDS and HIV disease, as well as addressing the needs of those affected through service, education, advocacy, and outreach.

Fenway Community Realty Corporation (FCRC) is a nonprofit organization that was formed to acquire real estate that is leased to FCHC. The Board of FCRC is appointed by the Board of FCHC.

Nonprofit Status

FCHC and FCRC are exempt from Federal income taxes as organizations (not private foundations) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). FCHC and FCRC are also exempt from state income taxes. Donors may deduct contributions made to FCHC and FCRC within the IRC regulations.

2. SIGNIFICANT ACCOUNTING POLICIES

FCHC and FCRC (collectively, the Center) prepare their combining 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).

Adoption of New Accounting Standard

In fiscal year 2019, the Center 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. The Center has adjusted the presentation of these combining financial statements accordingly. The adoption of this ASU did not impact the Center'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 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 statement of financial position date for fiscal year 2018.

Principles of Combination

The combining financial statements include the net assets of FCHC and FCRC. All significant balances between classes of net assets and intercompany balances and transactions have been eliminated in the accompanying combining financial statements.

Cash and Cash Equivalents

The Center considers all highly liquid investments issued with a maturity of three months or less to be cash and cash equivalents, except for money market accounts included in investments (see Note 3), for purposes of the combining statements of cash flows.

FENWAY COMMUNITY HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certificates of Deposit

During fiscal year 2019, the Center opened four certificates of deposit accounts that earn interest at rates ranging from 2.1% to 2.7% per annum, and mature at various dates through June 2020.

Allowance for Uncollectible Accounts

The Center records patient service, contracts and pharmacy receivables, net of allowances for uncollectible accounts and contractual allowances. These allowances are recorded based upon reimbursement rates from third-party payors, historical collections, and other factors. As of June 30, 2019 and 2018, there is no allowance for uncollectible contract and other receivables.

Inventory

FCHC's inventory is accounted for at the lower of cost (as determined by the first-in, first-out (FIFO) method) or market. FCHC's inventory consists of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Pharmaceuticals	\$ 1,965,461	\$ 1,766,938
Clothes, furniture and other items	770,913	770,913
Eyeglasses	<u>113,920</u>	<u>111,109</u>
	2,850,294	2,648,960
Less - reserve	<u>228,732</u>	<u>212,320</u>
Inventory, net	<u>\$ 2,621,562</u>	<u>\$ 2,436,640</u>

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.

Property and Equipment and Depreciation

Property and equipment are recorded at cost, if purchased, or at estimated fair value, if donated. Depreciation is computed using the straight-line method over the following estimated useful lives:

Building	40 years
Building improvements	10 - 40 years
Furniture, fixtures and equipment	5 - 10 years
Leasehold improvements	Term of Lease

The Center has acquired building improvements and furniture, fixtures and equipment with funds received from the Commonwealth of Massachusetts and the Federal government. The applicable funding sources retain a reversionary interest in these assets.

As of June 30, 2018, there was approximately \$3,800,000 of construction in process included in land, building and improvements in the accompanying June 30, 2018 combining statement of financial position. These capitalized costs primarily relate to the renovation of two floors of the health center's main facility. This project was completed during fiscal year 2019, at which time it was placed in service and began being depreciated.

FENWAY COMMUNITY HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unamortized Debt Issuance Costs

Unamortized debt issuance costs consist of closing costs and other fees related to the issuance of long-term debt (see Note 5). These costs are being amortized over fifteen years using the straight-line method, which approximates the effective interest method.

Revenue Recognition

Contributions are recorded as revenue and net assets without donor restrictions upon receipt or when unconditionally committed by the donor. Contracts are recorded as revenue and net assets without donor restrictions over the period the services are performed and the costs are incurred. Contract, conditional grant funding and rent payments received in advance of services provided are recorded as deferred revenue.

Donor restricted grants, contributions and pledges (i.e. donations with time or purpose restrictions) are recognized as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to revenues and net assets without donor restrictions when a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished and are shown as net assets released from restrictions in the accompanying combining statements of activities and changes in net assets. Donor restricted grants and contributions received and satisfied in the same period are included in net assets without donor restrictions.

The Center records patient service revenue as services are provided at the full value of those services as assigned by the Center. Net patient service revenue reflects the amounts to be collected after provision for contractual allowances and free care. Contractual allowances are accrued on an estimated basis in the period the related services are rendered. Contractual allowances and net patient service revenue are adjusted as required based on final settlements. Net patient service revenue is net of contractual allowances of approximately \$16,022,000 and \$14,674,000 for the years ended June 30, 2019 and 2018, respectively.

Retail store sales include sales of furniture, clothing and other second hand items donated to the Center. Store sales revenue is reported net of estimated returns and allowances, and are recognized when the related goods are delivered or the sale has taken place.

The Center follows the accounting standard related to *Measuring Charity Care for Disclosure* under U.S. GAAP. The Center has a policy of providing free care services to patients who are unable to pay. Such patients are identified based on financial information obtained from the patient prior to services being rendered. The Center provided approximately \$721,000 and \$1,411,000 of free care during the years ended June 30, 2019 and 2018, respectively. The cost of providing these services was approximately \$707,000 and \$1,391,000 for the years ended June 30, 2019 and 2018, respectively. The cost of providing free care was calculated by multiplying the percentage of gross free care charges to gross patient charges by the total cost of providing patient services. Since the Center does not expect full payment, estimated charges for free care are not included in net patient service revenue.

The Center also provides subsidized health services for programs that respond to identified community needs, including Medical, Behavioral Health and Substance Abuse.

FENWAY COMMUNITY HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Fundraising revenue and expenses from annual events are recorded as revenue without donor restrictions and expense in the period in which the event occurs. Revenues and expenses from one-time fundraising events are recorded net in the accompanying combining financial statements.

Investment income on the investment portfolio consists of interest and dividends. Interest income is recorded when earned. Dividend income is recorded on the ex-dividend date. Realized gains and losses on investment transactions are recorded on the basis of specific shares' historical cost. Unrealized gains and losses are recognized based on market value changes during the period.

Rental income and all other revenue are recorded when earned.

Funding

The Center received approximately \$17,700,000 and \$12,083,000 of its total revenue and support during fiscal years 2019 and 2018, respectively, directly and indirectly through sub-contracts from the U.S. Department of Health and Human Services.

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 combining financial position of the Center as of June 30, 2019 and 2018, or on their changes in net assets for the years then ended.

The Center has been awarded contracts and grants through a competitive process and expends them according to their specified terms and conditions. These contracts and grants are subject to possible final audit determination by certain governmental agencies. In the opinion of management, such determinations, if any, will not have a material effect on the combining financial position of the Center as of June 30, 2019 and 2018, or on their changes in net assets for the years then ended.

Fair Value Measurements

The Center 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 Center would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Center 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 Center. 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.

FENWAY COMMUNITY HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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.

Investments

Investments are recorded in the combining financial statements at fair value. If an investment is directly held by the Center and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. As of June 30, 2019 and 2018, the Center had no plans to sell investments at amounts different from net asset values. All investments are valued using Level 1 inputs (see Note 3).

Asset Held under Split-Interest Agreement

Asset held under split-interest agreement (see Note 4) is recorded at the estimated net present value of future cash flows using a risk-adjusted discount rate commensurate with the duration of the estimated payments. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy.

Interest Rate Swap Contract

The fair value of the interest rate swap contract is the estimated amount that the Center would have to pay to receive or terminate the agreements as of the combining statement 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.

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent resources which bear no external donor restrictions and are available to carry out the Center's programs. Net assets without donor restrictions have been categorized as follows:

Operating - represents funds available to carry on the operations of the Center.

Property and equipment - reflects and accounts for the Center's investment in property and equipment, net of related debt.

FENWAY COMMUNITY HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining 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 represent contributions received or pledged that have not yet been expended for their designated purpose or satisfied their time restriction and amounts received from donors with the stipulation that the principal will be held in perpetuity and only the investment income can be spent. In accordance with Massachusetts law, all earnings and appreciation of a donor restricted endowment are restricted until approved by the Board of Trustees.

Net assets with donor restrictions are available for future periods and donor-specified program support and are as follows:

	<u>Balance at June 30, 2018</u>	<u>Investment Income and Grants</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance at June 30, 2019</u>
Program restricted	\$ 498,036	\$ 942,103	\$ (492,802)	\$ 947,337
Time restricted	147,440	-	-	147,440
Investment in perpetuity	302,385	-	-	302,385
Appreciation on endowment	<u>920,270</u>	<u>106,922</u>	<u>-</u>	<u>1,027,192</u>
	<u>\$ 1,868,131</u>	<u>\$ 1,049,025</u>	<u>\$ (492,802)</u>	<u>\$ 2,424,354</u>
	<u>Balance at June 30, 2017</u>	<u>Investment Income and Grants</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance at June 30, 2018</u>
Program restricted	\$ 278,302	\$ 484,352	\$ (264,618)	\$ 498,036
Time restricted	147,440	-	-	147,440
Investment in perpetuity	302,385	-	-	302,385
Appreciation on endowment	<u>786,464</u>	<u>133,806</u>	<u>-</u>	<u>920,270</u>
	<u>\$ 1,514,591</u>	<u>\$ 618,158</u>	<u>\$ (264,618)</u>	<u>\$ 1,868,131</u>

A reconciliation of endowment activity for fiscal years 2019 and 2018 is as follows:

Endowment net assets, June 30, 2017	\$ 1,088,849
Investment return	<u>133,806</u>
Endowment net assets, June 30, 2018	1,222,655
Investment return	<u>106,922</u>
Endowment net assets, June 30, 2019	<u>\$ 1,329,577</u>

FENWAY COMMUNITY HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net Assets With Donor Restrictions (Continued)

Massachusetts adopted the *Uniform Prudent Management of Institutional Funds Act*, effective June 30, 2009. Subject to the intent of a donor, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. The assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution. The Center has not yet adopted a policy for appropriating earnings on endowment funds.

Advertising

The Center expenses advertising costs as they are incurred, which are shown as advertising expense in the accompanying combining statements of functional expenses.

Expense Allocation

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

The combining financial statements contain certain categories of expenses that 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 include occupancy, which is allocated based on square-footage. Additional expenses that are allocated include payroll, contracted services and related costs, which are allocated based on estimates of time and effort spent on each program or support function.

Donated Goods and Services

Goods and services are contributed to the Center in support of special events held during the year. These goods and services are included in special events in the accompanying combining financial statements.

Uncertainty in Income Taxes

The Center 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 Center 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 Center'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 program services are reported as operating revenue and support and operating expenses in the accompanying combining statements of activities and changes in net assets. Non-operating revenue includes bequests, investment and interest rate hedging activity.

FENWAY COMMUNITY HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through October 29, 2019, which is the date the combining financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the accompanying combining financial statements.

3. INVESTMENTS

The investment portfolio, summarized using fair value inputs (see Note 2), is as follows:

	2019			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 44,690	\$ -	\$ -	\$ 44,690
Mutual funds:				
Stock index fund	9,215,766	-	-	9,215,766
Bond index fund	2,501,873	-	-	2,501,873
Equity securities	1,455,569	-	-	1,455,569
Government securities:				
Government bonds	160,142	-	-	160,142
Treasury notes	96,669	-	-	96,669
Fixed income:				
Corporate bonds	<u>145,712</u>	<u>-</u>	<u>-</u>	<u>145,712</u>
Total	<u>\$ 13,620,421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,620,421</u>

	2018			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 255,191	\$ -	\$ -	\$ 255,191
Mutual funds:				
Stock index fund	7,285,055	-	-	7,285,055
Bond index fund	2,400,576	-	-	2,400,576
Equity securities	1,318,213	-	-	1,318,213
Government securities:				
Government bonds	177,740	-	-	177,740
Treasury notes	60,637	-	-	60,637
Fixed income:				
Corporate bonds	<u>130,085</u>	<u>-</u>	<u>-</u>	<u>130,085</u>
Total	<u>\$ 11,627,497</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,627,497</u>

Investments are reported as long-term in the accompanying combining statements of financial position based on management's intention to hold the assets for long-term purposes. Investments are not insured and are subject to on-going market fluctuations.

The Center's investment objectives are to seek significant appreciation of the invested assets of the endowment funds. These funds are invested with a time horizon of greater than ten years, and there is no expectation that any portion of the endowment will be needed for operating purposes within the foreseeable future.

FENWAY COMMUNITY HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2019 and 2018

4. BEQUESTS AND SPLIT-INTEREST AGREEMENT

Bequests

The Center is and may be named beneficiary of various trusts and wills. The amounts to be received, if any, cannot be determined and are therefore not reflected in the accompanying combining financial statements until received. There were no significant bequests received during fiscal year 2019. During fiscal year 2018, the Center was the recipient of a bequest totaling \$1,826,510.

Split-Interest Agreement

The Center has been named the sole beneficiary of an irrevocable charitable remainder unitrust. Under this arrangement, the donor has established and funded a trust and is entitled to specified distributions to be made over the trust's term. Upon termination of the trust, the Center receives any remaining assets.

As of June 30, 2019 and 2018, the investments of the trust consist of equity securities, fixed income securities, and cash and short-term investments, and are shown as assets held under split-interest agreement in the accompanying combining financial statements, net of the estimated present value of future payments to the donor. The recurring fair value measurement of these assets has Level 3 inputs (see Note 2) and is based on the market value of the underlying trust assets, less the present value of future cash flows.

The split-interest agreement has been included in net assets with donor restrictions and will be transferred to net assets without donor restrictions when the Center has the immediate right to use the assets (upon death of the beneficiary) (see Note 2).

5. LONG-TERM DEBT

Bonds Payable

On December 20, 2006, the Center entered into a \$36,360,000 bond purchase agreements with UBS Securities LLC, MassDevelopment New Markets Tax Credit Fund #2, LLC (MassDevelopment), and MHIC New Markets Fund III, LLC (MHIC) who subsequently assigned their rights in the loan and trust associated with the bonds to a bank. The bonds bear interest at a variable rate (approximately 2.8% and 2.6% at June 30, 2019 and 2018, respectively) and mature in June 2036. The bonds are secured by the Center's real estate. As of June 30, 2019 and 2018, the balance of the bonds payable was \$20,610,000 and \$21,335,000, respectively. In order to hedge against potential interest rate fluctuations on the bonds payable, the Center has entered into an interest rate swap agreement on the bonds payable (see page 16).

The Center incurred certain debt issuance costs associated with the bonds payable. Imputed interest associated with the debt issuance costs totaled \$13,365 for the years ended June 30, 2019 and 2018. Imputed interest is expected to be \$13,365 for the next five years. As of June 30, 2019 and 2018, the unamortized debt issuance costs were \$71,698 and \$85,063, respectively, and have been deducted from long-term debt in the accompanying combining statements of financial position.

The bond agreements contain certain financial covenants concerning debt service coverage, maintenance of cash balances, and other matters, all of which the Center was in compliance with as of June 30, 2019 and 2018.

FENWAY COMMUNITY HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2019 and 2018

5. LONG-TERM DEBT (Continued)

Future minimum principal payments on the bonds payable for the next five years are as follows:

2020	\$ 760,000
2021	\$ 805,000
2022	\$ 850,000
2023	\$ 895,000
2024	\$ 945,000

Interest Rate Swap Contract

To hedge against potential interest rate exposure under the variable rate bonds, the Center entered into an interest rate swap agreement. The terms of the swap contract were as follows:

Original Notational Amount	\$ 22,670,000
Fixed Rate Assumed by the Center	.754%
Basis for Variable Rate Assumed by Counterparty	LIBOR - BBA
Term	5 years and 2 months
Effective Date	August 1, 2016
Counterparty	Morgan Stanley

The notional amount of the swap contract is to decline according to a pre-determined schedule such that the proportion of the amortizing note originally swapped would have remained approximately the same throughout the term of the agreement as the underlying debt amortizes. The notational amount of the swap contract was \$20,610,000 and \$21,335,000 as of June 30, 2019 and 2018, respectively.

The swap contract is reported at fair value in the accompanying combining statements of financial position as of June 30, 2019 and 2018. Fair value is derived using Level 2 inputs (see Note 2), including prevailing credit spreads, market liquidity, assumed transaction and hedging costs, and other factors.

6. LEASE AGREEMENTS

Facility

The Center has entered into leases for administrative and program space. The leases expire on various dates through July 2026. Under these agreements, the Center pays utilities and a portion of the building's operating expenses which increase annually based on the Consumer Price Index. Total rent for the years ended June 30, 2019 and 2018, was approximately \$2,755,000 and \$2,624,000 respectively, which is included in rent expense in the accompanying combining statements of functional expenses. The Center has options to renew these leases with prior written notice.

Equipment

The Center also leases equipment under operating lease agreements that expire on various dates through May 2021. Equipment lease expense was approximately \$156,500 and \$130,000 for the years ended June 30, 2019 and 2018, respectively, and is included in rent in the accompanying combining statements of functional expenses.

FENWAY COMMUNITY HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2019 and 2018

6. LEASE AGREEMENTS (Continued)

Future minimum lease payments under these agreements are as follows:

	<u>Facility</u>	<u>Equipment</u>
2020	\$ 2,289,746	\$ 88,152
2021	\$ 1,705,761	\$ 74,510
2022	\$ 1,592,421	\$ -
2023	\$ 1,547,927	\$ -
2024	\$ 1,294,981	\$ -
Thereafter	\$ 2,055,041	\$ -

7. RELATED PARTY TRANSACTIONS

FCHC has a forty-year operating lease with FCRC for the use of the main health center facility. Monthly payments under this agreement are the lesser of either \$100,000 or the debt payments made by FCRC. Total rent expense under this operating lease was approximately \$400,000 and \$414,000 for the years ended June 30, 2019 and 2018, respectively. These amounts are eliminated in the accompanying combining financial statements.

FCHC has also entered into the following related party transactions:

- Members of management are on the Board of Directors of an Accountable Care Organization of which FCHC is a member. FCHC made approximately \$26,000 and \$2,000 of payments to this organization during fiscal years 2019 and 2018, respectively.
- A former member of management was on the Board of Directors of a self-insurance group of which FCHC is a member. FCHC paid approximately \$81,000 to this group for fiscal year 2018.
- A former member of management was on the Board of Directors of an organization with which FCHC has a patient service revenue risk pool agreement. FCHC paid approximately \$31,000 to this organization during fiscal year 2018.
- A former member of the Board of Directors was employed by a law firm which provides legal services to FCHC. FCHC paid approximately \$205,000 to this firm for fiscal year 2018.

8. BENEFIT PLANS

FCHC maintains two plans under Section 403(b) of the IRC. FCHC also maintains a profit sharing plan (PSP) covered under Section 401(a) of the IRC (collectively, the Plan). The Plan is a defined contribution plan covering substantially all employees of FCHC who work twenty or more hours per week. Participants may elect to contribute a percentage up to 100% of pre-tax annual compensation subject to annual limits. Employees become eligible for any FCHC discretionary matching contributions approved annually by management and the Board of Directors of the FCHC beginning the month after their employment. The Board of Directors approved a FCHC match of 50% of employee deferrals not to exceed 2% of compensation for the years ended June 30, 2019 and 2018. The Plan also has a discretionary contribution provision subject to management and the Board of Directors' approval for those employees of FCHC that have rendered 1,000 hours of service during the Plan year and worked one year of service unless the 1,000 hours were not attained due to employee death or the employee became disabled or retired on or after the normal retirement date during the Plan year. The Board of Directors approved a 5% of compensation profit sharing contribution for the years ended June 30, 2019 and 2018.

FENWAY COMMUNITY HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2019 and 2018

8. BENEFIT PLANS (Continued)

During fiscal years 2019 and 2018, the Center made all required deposits and contributions to the TSA and PSP plans.

FCHC also offers a plan under IRC Section 457 to certain employees. Employer contributions to this plan are discretionary. Plan participants vest in account balances under the plan subject to certain forfeiture requirements. There was no vested balance as of June 30, 2019. The vested balance totaled \$127,000 as of June 30, 2018.

Effective January 1, 2016, FCHC adopted an additional plan under IRC Section 457 for the benefit of a select group of its management and certain highly compensated employees. Employer contributions to this plan are discretionary. Plan participants vest in account balances under the plan, subject to certain forfeiture provisions, after five or ten years, as defined in the plan documents. There were no vested balances under this plan as of June 30, 2019 and 2018. As of June 30, 2019 and 2018, FCHC has recorded a liability of \$2,187,870 and \$1,887,870, respectively, related to this plan, which is reflected as deferred compensation in the accompanying combining statements of financial position.

The Center contributed \$2,043,863 and \$2,750,571 to the aforementioned benefit plans for the years ended June 30, 2019 and 2018, respectively, which are included in payroll taxes and benefits in the accompanying combining financial statements

9. CONCENTRATION OF CREDIT RISK

The Center maintains its cash balances in several banks located in the Boston, Massachusetts area. The balances in each bank are insured by the Federal Deposit Insurance Corporation. At various times during the year, the cash balances exceeded the insured amount. Management monitors the financial condition of the banking institutions on a regular basis, along with their balances in the cash accounts, and tries to keep this potential risk to a minimum. Additionally, the Center uses a collateralized overnight sweep account, which further mitigates this risk.

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

FENWAY COMMUNITY HEALTH CENTER, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2019 and 2018

11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Center's financial assets available within one year from the combining statement of financial position date for general operating purposes are as follows as of June 30, 2019:

Cash and cash equivalents	\$ 9,760,007
Contracts and other receivables	8,106,837
Patient service receivables, net	5,571,929
Accounts receivable - pharmacy, net	4,187,273
Certificates of deposit	<u>10,048,090</u>
	37,674,136
Less - donor-imposed restrictions	<u>(1,094,777)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 36,579,359</u>

As part of the Center's liquidity management, the Center has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligation come due. As of June 30, 2019, the Center has financial assets equal to approximately four months of operating expenses.

FENWAY COMMUNITY HEALTH CENTER, INC. AND AFFILIATE

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	Expenditures to Subrecipients
U.S. Department of Justice:				
Passed through Commonwealth of Massachusetts, Victim Witness Assistance Board:				
Crime Victim Assistance	16.575	N/A	\$ 480,930	\$ -
Passed-through Non-Profit Organization:				
Grants for Outreach and Services to Underserved Populations	16.889	N/A	56,213	18,722
Legal Assistance for Victims	16.524	N/A	<u>94,044</u>	<u>14,302</u>
Total U.S. Department of Justice			<u>631,187</u>	<u>33,024</u>
U.S. Department of State:				
Direct:				
International Programs to Support Democracy, Human Rights and Labor	19.345	N/A	<u>176,106</u>	<u>109,877</u>
U.S. Department of Health and Human Services:				
Direct:				
Health Center Program Cluster:				
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	N/A	2,465,850	18,000
Technical and Non-Financial Assistance to Health Centers	93.129	N/A	433,681	454
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	820,137	-
Special Projects of National Significance	93.928(!)	N/A	6,029,169	4,567,147
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	77,135	3,309
HIV Prevention Activities Non-Governmental Organization Based	93.939	N/A	<u>723,347</u>	<u>-</u>
Total Direct			10,549,319	4,588,910
Passed-through Commonwealth of Massachusetts, Department of Public Health:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	4944MM31819 2301MM31605	82,976	-
HIV Care Formula Grants	93.917	4944MM31819	287,391	-
Opioid STR	93.788	2330MM3W190 2351M03W190 2351M031836	271,493	-
HIV Prevention Activities Health Department Based	93.940	4944MM31819	486,615	-

FENWAY COMMUNITY HEALTH CENTER, INC. AND AFFILIATE

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	Expenditures to Subrecipients
U.S. Department of Health and Human Services: (Continued)				
Passed-through Non-Profit Organizations, Universities and Municipalities:				
Mental Health Research Grants	93.242	N/A	95,658	-
Child Health and Human Development Extramural Research	93.865	N/A	474,969	-
Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	93.943	N/A	19,068	-
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	N/A	427,683	-
Special Projects of National Significance	93.928(!)	N/A	11,569	-
Allergy and Infectious Diseases Research	93.855	N/A	3,311,630	-
Alcohol Research Programs	93.273	N/A	164,720	-
Drug Abuse and Addiction Research Programs	93.279	N/A	210,539	-
Assistance Programs for Chronic Disease Prevention and Control	93.945	N/A	18,294	-
Family Planning Services	93.217	N/A	43,823	-
Research on Healthcare Costs, Quality and Outcomes	93.226	N/A	29,195	-
NON-ACA/PPHF Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations	93.424	N/A	2,580	-
Strengthening Public Health Systems and Services Through National Partnerships to Improve and Protect the Nation's Health	93.421	N/A	38,558	-
Cancer Centers Support Grants	93.397	N/A	11,193	-
Nursing Research	93.361	N/A	39,707	-
Minority Health and Health Disparities Research	93.307	N/A	31,570	-
Cancer Cause and Prevention Research	93.393	N/A	21,332	-
National Family Caregiver Support, Title III, Part E	93.052	N/A	20,104	-
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	N/A	8,224	-
HIV Emergency Relief Project Grants	93.914	N/A	453,089	-
HIV-Related Training and Technical Assistance	93.145	N/A	453,858	-
Total U.S. Department of Health and Human Services			<u>17,565,157</u>	<u>4,588,910</u>

FENWAY COMMUNITY HEALTH CENTER, INC. AND AFFILIATE

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	Expenditures to Subrecipients
U.S. Department of Housing and Urban Development:				
Housing Opportunities for Persons with AIDS:	14.241			
Passed through the City of Boston - Neighborhood Development		N/A	1,166,179	-
Passed through the City of Lowell		N/A	<u>236,697</u>	<u>-</u>
Total CFDA #14.241			1,402,876	-
Passed through the City of Cambridge:				
Emergency Solutions Grant Program	14.231	N/A	81,505	-
Supportive Housing Program	14.235	N/A	<u>35,311</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>1,519,692</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 19,892,142</u>	<u>\$ 4,731,811</u>
<u>Totals for the Following CFDA's</u>				
93.928(!)		\$	6,040,738	

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the Federal assistance activity of the Center 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 Center 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
Fenway Community 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 Fenway Community Health Center, Inc. and Affiliate (collectively, the Center), 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 29, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the combining financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combining financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Center's 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 Center'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 Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

AAFCPA, Inc.

Westborough, Massachusetts
October 29, 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
Fenway Community Health Center, Inc. and Affiliate:

Report on Compliance for Each Major Federal Program

We have audited Fenway Community Health Center, Inc. and Affiliate's (collectively, the Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Center's major Federal programs for the year ended June 30, 2019. The Center's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Center's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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.

AAFCPA, Inc.

Westborough, Massachusetts
October 29, 2019

FENWAY COMMUNITY 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 programs:

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

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

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

Identification of major Federal programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Health Center Program Cluster: Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless and Public Housing Primary Care)	93.224/93.527
Allergy and Infectious Disease Research	93.855

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

Auditee qualified as low-risk auditee? Yes No

FENWAY COMMUNITY 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