Brooklyn Plaza Medical Center, Inc.

Financial Statements,
Schedule of Expenditures of Federal Awards, Internal Control and Compliance (With Supplementary Information) and Independent Auditor's Reports

December 31, 2019

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Brooklyn Plaza Medical Center, Inc.

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Independent Auditor's Report

To the Board of Directors
Brooklyn Plaza Medical Center, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Brooklyn Plaza Medical Center, Inc. (the "Center"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2021, 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.

CohnReznick LLP

New York, New York
February 11, 2021

Brooklyn Plaza Medical Center, Inc.

Statement of Financial Position
December 31, 2019

Assets

Cash and cash equivalents	$	2,138
Investments		4,113
Contracts receivable		122,417
340B pharmacy receivable		177,420
Patient services receivable, net		371,297
Prepaid and other receivables		69,514
Contribution receivable		1,252,500
Property and equipment, net		632,477
Security deposits		104,676
Total assets	$	2,736,552

Liabilities and Net Assets

Accounts payable and accrued expenses	$	1,506,973
Accrued compensation		108,230
Due to third party		100,000
Deferred rent		64,567
Total liabilities		1,779,770
Commitments and contingencies		
Net assets		
Without donor restrictions		(295,718)
With donor restrictions		1,252,500
Total net assets		956,782
Total	$	2,736,552

See Notes to Financial Statements.

Brooklyn Plaza Medical Center, Inc.

Statement of Activities and Change in Net Assets
Year Ended December 31, 2019

Revenue without donor restrictions	
Patient services revenue (net of contractual allowances and discounts)	$ 3,401,038
DHHS grants	5,666,750
Contract services	675,640
Donated vaccines	107,721
340B pharmacy revenue	1,798,671
Other	153,550
Total revenue without donor restrictions	11,803,370
Expenses	
Salaries and benefits	8,043,077
Other than personnel services	4,842,962
Total expenses	12,886,039
Operating loss prior to depreciation and amortization	(1,082,669)
Depreciation and amortization	173,135
Change in net assets without donor restrictions	(1,255,804)
Change in net assets with donor restrictions	
Contribution revenue	1,252,500
Change in net assets	(3,304)
Net assets, beginning	960,086
Net assets, end	$ 956,782

See Notes to Financial Statements.

Brooklyn Plaza Medical Center, Inc.

Statement of Functional Expenses
Year Ended December 31, 2019

	Program services	General and administrative	Total
Salaries and wages	$ 5,719,241	$ 967,041	$ 6,686,282
Fringe benefits	1,160,561	196,234	1,356,795
Consultant and contractual services	322,732	419,762	742,494
Professional fees	-	447,643	447,643
Pharmacy costs	1,284,430	-	1,284,430
Consumable supplies	529,327	17,914	547,241
Space costs	755,072	154,654	909,726
Insurance	65,392	13,394	78,786
Repairs and maintenance	120,192	24,618	144,810
Equipment rental	59,254	12,137	71,391
Telephone and communications	91,587	28,134	119,721
Travel, conferences and meetings	41,097	12,624	53,721
Dues and subscriptions	38,209	11,737	49,946
Data processing	103,579	31,818	135,397
Advertising	26,679	8,195	34,874
Printing and postage	22,815	7,008	29,823
Other	104,145	88,814	192,959
Total	10,444,312	2,441,727	12,886,039
Depreciation and amortization	143,702	29,433	173,135
Total functional expenses	$ 10,588,014	$ 2,471,160	$ 13,059,174

See Notes to Financial Statements.

Brooklyn Plaza Medical Center, Inc.

Statement of Cash Flows
Year Ended December 31, 2019

Cash flows from operating activities	
Cash received from patient services	$ 3,612,479
Cash received from DHHS grants	5,710,025
Cash received from contract services	553,223
Cash received from 340B pharmacy	1,865,129
Cash received from other	149,051
Cash paid to employees	(8,227,061)
Cash paid to vendors	(3,892,720)
Net cash used in operating activities	(229,874)
Cash flows from investing activities	
Cash paid for property and equipment	(34,080)
Change in investments	97,248
Net cash provided by investing activities	63,168
Net decrease in cash and cash equivalents	(166,706)
Cash and cash equivalents, beginning	168,844
Cash and cash equivalents, end	$ 2,138
Reconciliation of change in net assets to net cash used in operating activities	
Change in net assets	$ (3,304)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation and amortization	173,135
Changes in operating assets and liabilities	
DHHS grants receivable	43,275
Contracts receivable	(122,417)
Patient services receivable	211,441
340B pharmacy receivable	66,458
Prepaid and other assets	(4,499)
Contribution receivable	(1,252,500)
Accounts payable and accrued expenses	742,521
Accrued compensation	(183,984)
Due to third party	100,000
Net cash used in operating activities	$ (229,874)
Supplemental disclosure of noncash investing and financing activities	
Capital acquisitions included in accounts payable and accrued expenses	$ 30,000

See Notes to Financial Statements.

Note 1 - Organization

Brooklyn Plaza Medical Center, Inc. (the "Center") operates freestanding diagnostic and treatment centers located in the Fort Greene section of Brooklyn, New York. The Center provides a broad range of health services to a largely medically underserved population.

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

Note 2 - Summary of significant accounting policies

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Use of estimates

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

Classification of net assets

The Center classifies its net assets into two categories, which are described as follows:

> *Net assets without donor restrictions* are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Center. Net assets without donor restrictions include resources that the governing board may use for any designated purpose and resources whose use is limited by agreement between the Center and an outside party other than a donor or grantor.
>
> *Net assets with donor restrictions* are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and change in net assets.

Adoption of new accounting pronouncements

For the year ended December 31, 2019, the Center adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves current accounting guidance to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. The Center adopted ASU 2018-08 on January 1, 2019 using the modified retrospective method of transition. Due to the adoption of ASU 2018-08, certain transactions previously accounted for as exchange transactions are now accounted for as conditional contributions.

The Center adopted FASB ASU 2014-09, *Revenue from Contracts with Customers*. This ASU provides new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers which reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenues. The Center adopted ASU 2014-09 on January 1, 2019 using the modified retrospective method of transition. The Organization performed an analysis of revenue streams and transactions under ASU 2014-09. In particular, for patient service revenue net of contractual allowances and discounts and for pharmacy revenue, the Center performed an analysis into the application of the portfolio approach as a practical expedient to group patient contracts and group pharmacy contracts with similar characteristics, such that revenue for a given portfolio would not be materially different than if it were evaluated on a contract-by-contract basis. Upon adoption, the majority of what was previously classified as provision for bad debts and presented as reduction to patient revenue net of contractual allowances and discounts on the statement of activities and changes in net assets is now treated as a price concession that reduces the transaction price, which is reported as net patient services revenue. The new standard also requires enhanced disclosures related to the disaggregation of revenue and significant judgments made in measurement and recognition. The impact of adopting ASU 2014-09 was not material to total revenue without donor restrictions, decrease in net assets without donor restrictions, or total net assets.

The Center adopted FASB ASU 2016-18, *Statement of Cash Flows: Restricted Cash*. This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash and cash equivalents. This ASU did not have a significant effect on the Center's statement of cash flows.

The Center adopted FASB ASU 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*. This ASU provides guidance on the classification of eight specific cash flow issues. This ASU did not have a significant effect on the Center's statement of cash flows.

Cash and cash equivalents
The Center maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally-insured limits. The Center has not experienced any losses in such accounts. All highly-liquid investments with maturities of three months or less when purchased are considered to be cash equivalents.

Investments
Investments consist of money market funds, which are reported in the financial statements at fair value. The statement of activities and change in net assets recognizes unrealized gains and losses on investments as increases or decreases, respectively, in net assets.

Patient services receivable and concentrations of credit risk
The collection of receivables from third-party payors and patients is the Center's primary source of cash for operations and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts (deductibles and copayments) remain outstanding. Patient receivables from third-party payors are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors.

Receivables due directly from patients are carried at the original charge for the service provided less discounts provided under the Center's charity care policy, less amounts covered by third-party payors and less an estimated allowance for doubtful receivables. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Center considers accounts past due when they are outstanding beyond 90 days with no payment. The Center generally does not charge interest on past due accounts. Patient receivables are written off when deemed uncollectable. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received.

Contracts receivable
Contracts receivable consist of costs under the contract agreements which were incurred prior to year-end for which payment has not been received. Contracts receivable credit risk is limited due to the nature of the contracts. The Center regularly monitors its contracts receivable by investigating delayed payments and differences when payments received do not conform to the amount billed. The Center considers all contracts as collectible.

Property and equipment
Property and equipment are recorded at cost or, if donated, at the fair value at the date of donation. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the assets, which approximate five years. Leasehold improvements are amortized on a straight-line basis over the estimated useful life of the improvement or the term of the lease, whichever is less. The Center capitalizes all purchases of property and equipment in excess of $2,500.

Construction-in-progress is recorded at cost. The Center capitalizes construction, insurance and other costs during the period of construction. Depreciation is recorded when construction is substantially complete and the assets are placed in service.

Maintenance, repairs and other minor renewals are expensed as incurred. When assets are restored or otherwise disposed of, their costs and related accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are included in change in net assets.

According to federal regulations, any property and equipment obtained through federal funds are subject to a lien by the federal government. Provided that the Center maintains its tax-exempt status and the property and equipment are used for their intended purpose, the Center is not required to reimburse the federal government. If the stated requirements are not met, the Center would be obligated to the federal government in an amount equal to the fair value of the property and equipment.

Impairment of long-lived assets
The Center reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing a review for impairment, the Center compares the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that impairment has occurred, the loss would be recognized during that period. The impairment loss is calculated as the difference between the asset's carrying value and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance and pricing trends. The Center does not believe that any material impairment currently exists relating to its long-lived assets.

Deferred rent

Rent expense is recognized on a straight-line basis over the term of the leases. At December 31, 2019, $64,567 is reflected as deferred rent, which represents the excess of rent expense computed on a straight-line basis over the minimum lease payments.

Net patient services revenue and receivable

Patient care service revenue is reported at the amount that reflects the consideration to which the Center expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Center bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Center. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Center believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving services in the Center's outpatient facilities. The Center measures the performance obligation from the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of completion of the outpatient services.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Center has elected to apply the optional exemption provided in FASB Accounting Standards Codification ("ASC") 606-10-50-14a and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The Center's performance obligations consist primarily of outpatient services that occur within one day of a patient's visit, thus, there were no unsatisfied or partially unsatisfied performance obligations at the end of the reporting period.

The Center determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Center's policy, and implicit price concessions provided to uninsured patients. The Center determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Center determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicaid - Reimbursements for Medicaid services are generally paid at prospectively determined rates per visit or per covered member.

Medicare - Outpatient services are paid using prospectively determined rates.

Other - Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per visit, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Center's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Center. In addition, the contracts the Center has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Center's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant in 2019.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Center also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Center estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the year ended December 31, 2019, there was no additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years.

Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Consistent with the Center's mission, care is provided to patients regardless of their ability to pay. Therefore, the Center has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Center expects to collect based on its collection history with those patients.

The Center is open to all patients, regardless of their ability to pay. In the ordinary course of business, the Center renders services to patients who are financially unable to pay for healthcare. The Center provides care to these patients who meet certain criteria under its sliding fee discount policy without charge or at amounts less than the established rates. Charity care services are computed using a sliding fee scale based on patient income and family size.

The Center maintains records to identify and monitor the level of sliding fee discount it provides. For uninsured self-pay patients that do not qualify for charity care, the Center recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates, if negotiated or provided by policy. On the basis of historical experience, a significant portion of the Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Center records an explicit concession to uninsured patients in the period the services are provided based on historical experience.

Community benefit represents the cost of services for Medicaid, Medicare, and other public patients for which the Center is not reimbursed.

Based on the cost of patient services, there was no charity care and community benefit approximated $5 million for the year ended December 31, 2019.

Such amounts determined to qualify as charity care are not reported as revenue.

The Center has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors, geography, service lines, method of reimbursement, and timing of when revenue is recognized.

The Center has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Center's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Center does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

The Center has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Center otherwise would have recognized is one year or less in duration.

340B pharmacy revenue

The Center participates in Section 340B of the Public Health Service Act ("PHS Act"), Limitation on Prices of Drugs Purchased by Covered Entities. Participation in this program allows the Center to purchase pharmaceuticals at discounted rates for prescriptions to eligible patients. Pharmacy revenue is generated through the pharmacy and 340B program that the Center operates through its agreement with a third party for the year ended December 31, 2019. Under this program, the Center uses the third party as its agent for the purpose of operating and managing the pharmacy and providing pharmacy services.

Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the Center's pharmacy patients and customers and the Center does not believe it is required to provide additional goods or services related to that sale. The Center recognized pharmacy revenue of $1,798,671 for the year ended December 31, 2019.

Because all of its performance obligations relate to pharmacy sales contracts with a duration of less than one year, the Center has elected to apply the optional exemption provided in FASB ASC 606-10-50-14a and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The Center's performance obligations in relation to pharmacy revenue consist primarily of pharmacy sales that occur as the patient purchases the goods, thus, there were no unsatisfied or partially unsatisfied performance obligations at the end of the reporting period.

The Center determines the transaction price based on standard charges for goods provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Center's policy, and implicit price concessions provided to uninsured patients. The Center determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Center determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Contract services and other grants revenue
Revenue from grants and contracts with resource providers such as the government and its agencies and other organizations are accounted for either as exchange transactions or as contributions. When the resource provider receives commensurate value in return for the resources transferred to the Center, the revenue from the grant or contract is accounted for as an exchange transaction in accordance with ASU 2014-09. For purposes of determining whether a transfer of asset is a contribution or an exchange, the Center deems that the resource provider is not synonymous with the general public, i.e., indirect benefit received by the public as a result of the assets transferred is not deemed equivalent to commensurate value received by the resource provider. Moreover, the execution of a resource provider's mission or the positive sentiment from acting as a donor is not deemed to constitute commensurate value received by a resource provider. Revenue from grants and contracts that are accounted for as exchange transactions is recognized when performance obligations have been satisfied. Grants and contracts awarded for the acquisition of long-lived assets are reported as nonoperating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as refundable advances. At December 31, 2019, the Center has received conditional grants and contracts from government entities in an aggregate amount of approximately $1,685,000 that have not been recorded in the accompanying financial statements. These grants and contracts require the Center to provide certain services or capital projects during specified periods. If such services are not provided during the periods, the governmental entities are not obligated to expend the funds allotted under the contracts.

Grants and contract transactions where the resource provider does not receive commensurate value are accounted for as a contribution.

Contributions
Transactions where the resource provider often receives value indirectly by providing a societal benefit, although the societal benefit is not considered to be of commensurate value, are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Center has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Center fails to overcome the barrier. The Center recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as refundable advance.

Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received.

Contributions are recorded as either with donor restrictions or without donor restrictions. Contributions are recognized with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as contributions without donor restrictions. Contributions received for the purpose of purchasing long-lived assets are deemed with donor restrictions; donor restriction is deemed to have been met when the long-lived asset is put into service.

Donated rent
The Center records donated rent at fair value based on the space provided. During 2019, the Center received donated space of $59,306, which is recorded in the statement of activities and change in net assets as other revenue and other than personnel services expense.

Donated vaccines
The Center records donated items at fair value at date of donation. During 2019, the Center received $107,721 of vaccines, which are recorded in the statement of activities and change in net assets as both revenue and expense.

Interest earned on federal funds
Interest earned on federal funds is recorded as a payable to the United States Public Health Service (the "PHS") in compliance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance").

Functional expenses
Expenses are charged to program services or general and administrative based on a combination of specific identification and allocation by the management on an equitable basis. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation bases such as time and effort, full time equivalent and square footage.

Performance indicator
The statement of activities and change in net assets includes change in net assets without donor restrictions as the performance indicator. Changes in net assets which are excluded from the performance indicator include change in net assets with donor restrictions.

Tax status
The Center was incorporated as a not-for-profit corporation under the laws of the State of New York and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, there is no provision for income taxes. The Center has no unrecognized tax benefits at December 31, 2019. The Center's federal and state information returns prior to fiscal year 2016 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Center recognizes interest and penalties associated with tax matters as operating expenses and includes accrued interest and penalties with accrued expenses in the statement of financial position.

Subsequent events
The Center has evaluated subsequent events through February 11, 2021, which is the date the financial statements were available to be issued.

Note 3 - Availability and liquidity

The following represents the Center's financial assets at December 31, 2019:

Financial assets at year-end		
Cash and cash equivalents	$	2,138
Investments		4,113
Contracts receivable		122,417
340B pharmacy receivable		177,420
Patient services receivable, net		371,297
Financial assets available to meet general expenditures over the next 12 months	$	677,385

The Center regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Center's goal is generally to maintain financial assets to meet 60 days of operating expenses. As part of its liquidity plan, excess cash is invested in a short-term money market account.

The Center had a working capital deficiency of $888,304 as of December 31, 2019. Management of the Center has developed a plan to improve the results of operations and cash flows. An increase in cash flows will be derived from an increase in revenue and improving operating efficiency. The Center employed a staff Cardiologist which will enable them to provide this specialty service to the patients in house rather than refer them outside. In addition, the Center was awarded several grants totaling approximately $835,000 under the CARES Act which helped to cover various operating costs. Furthermore, the Center is in the process of reviewing their 340B pharmacy program to eliminate low profit margin contracts and increase the high performing contracts. Lastly, the Center expects to receive the $1,252,500 contribution during 2021 and this will provide additional operating cash since the restrictions on that contribution align closely with the Center's existing services.

Note 4 - Fair value measurements

The Center values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Center utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

Financial assets carried at fair value on a recurring basis at December 31, 2019 are classified in the table below in one of the three categories described above:

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
U.S. Treasury Money Market Fund	$ -	$ 4,113	$ -	$ 4,113
Total assets at fair value	$ -	$ 4,113	$ -	$ 4,113

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value. There have been no changes in the methodologies used for the year ended December 31, 2019.

Investments in money market funds are valued using a yield-based matrix system to arrive at an estimated market value.

The preceding method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Center's policy is to recognize transfers in and transfers out of a level as of the actual date of the event or change in circumstance that caused the transfer. There were no transfers among the three levels in 2019.

Note 5 - Patient services receivable, net

Patient services receivable, net consist of the following:

Medicaid (includes Managed Care plans)	$ 198,289
Medicare	35,903
Private insurance	63,633
Self-pay	7,227
New York State Uncompensated Care	66,245
Total	$ 371,297

The Center's concentration of credit risk relating to patient services receivable primarily relates to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts remain outstanding. The Center did not recognize any patient receivable impairment or bad debt for the year ended December 31, 2019 based on patient specific impairment events.

The Center had no allowance for doubtful accounts as of December 31, 2019. The Center had no direct write-offs for the year ended December 31, 2019. The Center has not changed its charity care or uninsured discount policies during 2019. The Center does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs of receivables from third-party payors.

Note 6 - Property and equipment, net

Property and equipment, net consist of the following:

Furniture and fixtures	$ 179,261
Leasehold improvements	2,488,925
Equipment	1,091,416
Subtotal	3,759,602
Less accumulated depreciation and amortization	(3,169,234)
	590,368
Construction-in-progress	42,109
Total	$ 632,477

In the event the DHHS grants are terminated, the DHHS reserves the right to transfer all property and equipment purchased with grant funds to PHS or third parties.

Note 7 - Patient services revenue, net

The Center recognizes patient services revenue associated with services provided to patients who have Medicaid, Medicare, third-party payor and Managed Care plans coverage on the basis of contractual rates for services rendered. For uninsured self-pay patients that do not qualify for charity care, the Center recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates if negotiated or provided by the Center's policy. Charity care services are computed using a sliding fee scale based on patient income and family size. On the basis of historical experience, a significant portion of the Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Center records an implicit discount or contractual allowance related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts, recognized in the period from these major payor sources, is as follows:

Medicaid (includes Managed Care plans)	$ 2,036,068
Medicare	97,795
Private insurance	939,014
Self-pay	65,052
New York State Uncompensated Care	263,109
Total	$ 3,401,038

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

Note 8 - DHHS grants

For the year ended December 31, 2019, the Center recognized grant revenue from the DHHS as follows:

Grant number	Grant period	Total grant	Revenue recognized
Operating grants			
6 H80CS00410-17-13	04/01/18 - 03/31/19	$ 4,194,138	$ 1,054,265
6 H80CS00410-18-22	04/01/19 - 03/31/20	4,451,671	3,288,268
6 H76HA00173-23-02	05/01/18 - 04/30/19	413,047	134,306
5 H76HA00173-24-00	05/01/19 - 04/30/20	413,047	333,018
1 H79TI081589-01	09/30/18 - 09/29/19	524,295	460,216
6H79TI081589-02M006	09/30/19 - 09/29/20	524,405	256,261
1 P06HA32352-01-00	09/01/18 - 08/31/19	150,000	109,862
4 P06HA33799-01-03	09/01/19 - 12/31/20	150,000	30,554
Total			$ 5,666,750

Note 9 - Contract services

For the year ended December 31, 2019, contract services revenue consisted of the following:

Delivery System Reform Incentive Payment from Maimonides PPS	$ 154,422
Public Health Solutions: Ryan White Part A Care Coordination Program for New York City	458,177
Other	63,041
Total	$ 675,640

Note 10 - Net assets with donor restrictions

The Center receives contributions from various funders designated for program-specific purposes and time. The following consists of the unspent funds with donor restrictions as of December 31, 2019:

	Net assets with donor restrictions beginning	Contributions	Net assets released for programs	Net assets with donor restrictions end
Subject to expenditures for specified purpose:				
Funds to be used for the benefit, care and treatment of those aged 65 and older	$ -	$ 1,252,500	$ -	$ 1,252,500
Total	$ -	$ 1,252,500	$ -	$ 1,252,500

Note 11 - Pension plan

The Center maintains a defined contribution plan covering all employees meeting certain eligibility requirements. The Center matches up to 3% of eligible earnings. The Center may also make nonelective contributions to the plan. The Center made contributions to the plan in the amount of approximately $125,000 for the year ended December 31, 2019.

Note 12 - Commitments and contingencies

The Center has contracted with various funding agencies to perform certain healthcare services, and receives Medicaid and Medicare revenue from federal and state governments. Reimbursements received under these contracts and payments from Medicaid and Medicare are subject to audit by federal and state governments and other agencies. Upon audit, if discrepancies are discovered, the Center could be held responsible for refunding the amounts in question.

The Center maintains its medical malpractice coverage under the Federal Tort Claims Act ("FTCA"). FTCA provides malpractice coverage to eligible PHS-supported programs and applies to the Center and its employees while providing services within the scope of employment included under grant-related activities. The Attorney General, through the U.S. Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage. The Center maintains gap insurance for activity outside the scope of FTCA coverage.

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. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of reimbursement, false claims, anti-kickback and anti-referral statutes and regulation by healthcare providers. The Center believes that it is in material compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Upon audit, if discrepancies are discovered, the Center could be held responsible for refunding the amount in question.

The Center is involved in claims and legal action in the ordinary course of business. Management is of the opinion that the ultimate outcome of these matters would not have a material adverse impact on the financial position of the Center or the results of its operations or cash flows.

The Center operates out of three facilities, one of which is operated on a rent-free, month-to-month basis. For the year ended December 31, 2019, rent expense amounted to $567,759.

Two facilities are operated under noncancelable operating leases expiring in 2021 and 2022, requiring future minimum payments in each of the five years subsequent to December 31, 2019 and thereafter, as follows:

2020	$	524,525
2021		500,524
2022		93,998
Total	$	1,119,047

Note 13 - Subsequent events

In December 2019 and early 2020, the coronavirus that causes COVID-19 was reported to have surfaced in China. The spread of this virus globally in early 2020 has caused business disruption domestically in the United States, including New York, the area in which the Center primarily operates. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of this disruption. Therefore, while the Center expects this matter to negatively impact the Center's financial condition, results of operations, or cash flows, the extent of the financial impact and duration cannot be reasonably estimated at this time.

In April 2020, the Center obtained a $1,250,000 loan through the U.S. Small Business Administration ("SBA") Paycheck Protection Program ("PPP"), with an interest of 1%. The PPP is a loan designated to provide a direct incentive for small businesses to keep their workers on the payroll. Under the PPP, the SBA will forgive loans if certain conditions are met by the debtor. If the borrower does not apply for loan forgiveness within 10 months after the last day of the covered period, or if SBA determines that the loan is not eligible for forgiveness (in whole or in part), the PPP loan is no longer deferred and the borrower must begin paying principal and interest.

In July 2020, the Center reached a settlement with the Office of Inspector General ("OIG") of the United States DHHS, to resolve allegations against the Center regarding compliance with certain grant requirements, particularly as it relates to financial documentation requirements and also whether certain expenditures were proper for the period between January 1, 2017 and December 31, 2018. Rather than proceed with the expense and risk of trial, the Center agreed to a settlement of $100,000, payable over six years. The settlement has been accrued for in the current year and reported on the statement of financial position as due to third party in the amount of $100,000.

Supplementary Information

Brooklyn Plaza Medical Center, Inc.

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Federal Grantor/Agency Pass-through Grantor/Program or Cluster Title	Federal CFDA number	Pass-through entity identifying number	Passed through to subrecipients	Total expenditures
U.S. Department of Health and Human Services				
Direct Programs				
Health Center Cluster				
Consolidated Health Centers	93.224	N/A	$ -	$ 1,258,906
Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program	93.527	N/A	-	3,083,627
Subtotal Health Center Cluster			-	4,342,533
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	-	607,740
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	-	642,919
Passed through City of New York: Department of Health and Mental Hygiene				
Immunization Cooperative Agreements	93.268	Not available	-	107,721
Passed through Public Health Solutions				
HIV Emergency Relief Project Grants	93.914	18-CCR-315	-	458,177
Total expenditures of federal awards			$ -	$ 6,159,090

See Notes to Schedule of Expenditures of Federal Awards.

Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activities of Brooklyn Plaza Medical Center, Inc. (the "Center") under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, change in net assets, or cash flows of the Center.

Note 2 - Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Center has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Donated and nonmonetary assistance

Donated and nonmonetary assistance is reported in the Schedule at the fair value of the vaccinations received. The total federal share of vaccinations distributed by the Center amounted to $107,721. This amount is included on the Schedule.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Brooklyn Plaza Medical Center, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Brooklyn Plaza Medical Center, Inc. (the "Center"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 11, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Items 2019-001 and 2019-002, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Items 2019-002 and 2019-004.

CohnReznick

Center's Response to Findings

The Center's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Center's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

CohnReznick LLP

New York, New York
February 11, 2021

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Brooklyn Plaza Medical Center, Inc.

Report on Compliance for Each Major Federal Program

We have audited Brooklyn Plaza Medical Center, Inc.'s (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 December 31, 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 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* (the "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 qualified opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Center's compliance.

Basis for Qualified Opinion on CFDA 93.224/93.527 Health Center Cluster Programs

As described in the accompanying schedule of findings and questioned costs, the Center did not comply with requirements regarding CFDA 93.224/93.527 Health Center Cluster Programs as described in Item 2019-003 for Special Tests and Provisions, Item 2019-004 for Time and Effort Reporting and Item 2019-005 for Reporting. Compliance with such requirements is necessary in our opinion for the Center to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 93.224/93.527 Health Center Cluster Programs

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, 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 its major federal program for the year ended December 31, 2019.

Other Matters

The Center's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Center's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 above. 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Items 2019-003, 2019-004 and 2019-005 that we consider to be material weaknesses.

The Center's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Center's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

CohnReznick LLP

New York, New York
February 11, 2021

Brooklyn Plaza Medical Center, Inc.

Schedule of Findings and Questioned Costs
Year Ended December 31, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting	
• Material weakness(es) identified?	✓ yes _ no
• Significant deficiency(ies) identified?	_ yes ✓ none reported
Noncompliance material to financial statements noted?	✓ yes _ no

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	✓ yes _ no
• Significant deficiency(ies) identified?	_ yes ✓ none reported
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	✓ yes _ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program
	U.S. Department of Health and Human Services
	Health Center Cluster
93.224	Consolidated Health Centers
93.527	Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program

Dollar threshold used to distinguish between type A and B programs	$750,000
Auditee qualified as low-risk auditee?	_ yes ✓ no

Section II - Financial Statement Findings

Item 2019-001 - Books and Records and Audit Reporting

See Item 2019-005 in Section III noted below.

Item 2019-002 - Time and Effort Reporting and Salary Expense Allocation

See Item 2019-004 in Section III noted below.

Section III - Federal Award Findings and Questioned Costs - U.S. Department of Health and Human Services, Health Center Cluster (CFDA 93.224/93.527)

Item 2019-003 - Special Tests and Provisions

Criteria
Health centers are required to have a corresponding schedule of discounts applied and adjusted on the basis of patients' ability to pay and their eligibility. A patient's eligibility to pay is determined on the basis of the official poverty guideline, as revised by DHHS (42 CFR Sections 51c, 107(b)(5), 56.108(b)(5) and 56.303(f)). The Center should be implementing and monitoring procedures to properly determine, calculate and review sliding fee discounts issued to patients in accordance with the Center's sliding fee scale.

Statement of Condition
While performing our audit, we noted that the Center did not properly determine the sliding fee discount category given to patients selected for testing based on the sliding fee scale in effect for the year ended December 31, 2019. In addition, for some of the patients selected for testing, supporting documentation was not maintained on file to support the slide the patient was given.

Questioned Costs
None

Context
While performing our audit, we noted that the Center did not properly determine the sliding fee discount category given to four out of fifteen patients selected for testing based on the sliding fee scale in effect for the year ended December 31, 2019. In addition, the Center did not properly maintain the supporting documentation on file to support the sliding fee discount category given to an additional two patients selected for testing.

Cause
The condition can be attributed to human error and the lack of internal controls to review and ensure that the proper sliding fee documentation is being maintained and applied.

Effect
The Center did not comply with the determination of sliding fee discounts based on the federal poverty guidelines in effect for the year ended December 31, 2019. In addition, the Center may not have properly calculated the sliding fee or discount given to the patients and the discount given, if any, may not have been based on the patient's ability to pay.

Identification as a Repeat Finding
Condition is a repeat finding - see 2018-003.

Recommendation
We recommend that proper training be given to employees at registration to ensure that the sliding fee discounts be monitored and reviewed by a supervisor on a periodic basis to ensure compliance with the sliding fee scale. In addition, management should conduct internal audits to ensure proper documentation is maintained on file to support the sliding fee discounts given.

Views of Responsible Official
The Center concurs with this finding and will ensure that controls are established to ensure proper training and review of the sliding fee discounts. An internal audit will be conducted on a quarterly basis to monitor compliance with the sliding fee discount policies and procedures.

Item 2019-004 - Time and Effort Reporting and Salary Expense Allocation

Criteria
All program expenses, including indirect expenses, should be recognized and duly allocated to the respective programs in the general ledger. In addition, the Uniform Guidance requires that time and effort reporting should be maintained, that accounts for the total activity of employees and the programs/funding sources charged. These reports should be as stipulated per their policy as stated in accordance with the Uniform Guidance. Per the Center's policy, the reports must be approved and signed by a direct supervisory official having firsthand knowledge of the activities performed by the employee indicating that the time and effort recorded on the attestation forms reflects the employees' funding sources.

Statement of Condition
During the year ended December 31, 2019, personnel costs and other than personnel costs were not allocated to the appropriate program/funding source in the general ledger in accordance with the Center's policy. In addition, monthly time and effort attestation forms were not prepared for the employees documenting their time and effort allocations between the various funding sources in accordance with the Center's policy.

Questioned Costs
None

Context
While performing our audit, it was noted that the Center does not allocate personnel costs to each program/funding source in the general ledger. In addition, time and effort attestation reports were not prepared for employees for the year ended December 31, 2019 in accordance with the Center's policy.

Cause
Due to turnover in the financial leadership position, time and effort reporting was not being performed. In addition, a new general ledger system was implemented in 2018 and the allocation of costs by program/funding source was not set up.

Effect
The Center was not in compliance with the requirement regarding timely and proper completion of time and effort reporting.

Identification as a Repeat Finding
Condition is a repeat finding - see 2018-004.

Recommendation

We recommend that the Center prepare time and effort attestations reports in accordance with the regulations of the Uniform Guidance and the Center's policy. These reports should be reviewed and signed by the direct supervisor in accordance with the Center's policy. The Center should perform some quality control on the review and approval process of time and effort reporting periodically throughout the year. We also recommend that all program expenses, including indirect expenses, be recognized and duly allocated to the respective programs in the general ledger. This will ensure that the program-level profit and loss statements for any period are accurate and will provide more reliable information to users of such statements when evaluating the status of the programs.

Views of Responsible Official

Management and the Board of Directors agree. The Center created a time and effort policy that requires the documentation of time and effort of programs supported by all grant funds. The system was implemented in January 2020. It requires that all employees who are funded by multiple funding sources to complete an allocation attestation form documenting time and effort allocations between the funding sources. The form has to be signed by the employee's direct supervisor. In addition, the Center has upgraded their accounting system which will make it easier to allocate direct and indirect expenses to programs.

Item 2019-005 - Books and Records and Audit Reporting

Criteria

All accounts must be reconciled and reviewed on a timely basis to ensure the financial statements are presented fairly in accordance with generally accepted accounting principles in the United States of America ("GAAP"). In addition, in accordance with the Uniform Guidance, annual audit reports of recipients of federal funds are required to be submitted to the Federal Audit Clearing House, within the earlier of 30 days after the receipt of the audit report or nine months after the end of the audit period. Due to COVID-19, a three-month extension was provided which resulted in a due date of December 31, 2020.

Statement of Condition

There were certain accounts that were not reconciled until after year-end, which resulted in adjustments that had to be made to the general ledger and ultimately resulted in late filing of the audit report.

These accounts included:

- Cash,
- Patient services revenue and receivables,
- 340B pharmacy revenue and receivables,
- Account payable and accrued expenses and
- In kind contributions.

In addition, we noted that the reconciliation of the gross receivable balances by payor between general ledger and subsidiary ledgers were not reconciled. Thus, the balances were adjusted after year-end.

Questioned Costs
None

Context
The Center did not submit its annual audit on a timely basis.

Cause
The Center had staff turnover in the financial leadership position during the audit period. As a result, the Center's finance department was not able to perform detailed reviews of accounts and adjust the books accordingly, which delayed the filing of the audit report.

Effect
This condition may lead to inaccurate financial reporting and potential misstatement of the financial statements such that they are not in accordance with accounting principles generally accepted in the United States of America. In addition, the Center did not comply with the appropriate rules and regulations as per the Uniform Guidance.

Identification as a Repeat Finding
Condition is a repeat finding - see 2018-006.

Recommendation
We recommend that the Center implement policies and procedures that allow for the timely reconciliation of accounts on a monthly basis. In addition, the Center should establish controls to ensure that all accounting records are analyzed and proper support is available in order to ensure that the financial statement audit is submitted on a timely basis to the federal government.

Views of Responsible Official
Management and the Board of Directors agree. The reporting for the 2019 year audit was deficient due to staff turnover and the lack of appropriate resources in the finance department. In October 2020, the Center hired a qualified Certified Public Accountant with experience who will ensure that monthly closings and reconciliations are done in a timely manner.

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Brooklyn Plaza Medical Center, Inc.

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Status of Prior Year's Findings
Year Ended December 31, 2019

Item #	Description of Condition	Status of Corrective Action
2018-001	Books and records and audit reporting	This has not been corrected in the current year – please see corrective action plan.
2018-002	Time and effort reporting and salary expense allocation	This has not been corrected in the current year – please see corrective action plan.
2018-003	Special tests and provisions	This has not been corrected in the current year – please see corrective action plan.
2018-004	Time and effort reporting and salary expense allocation	This has not been corrected in the current year – please see corrective action plan.
2018-005	Reporting	This has been corrected in the current year.
2018-006	Books and records and audit reporting	This has not been corrected in the current year – please see corrective action plan.

Philip Onorato
Interim Chief Executive Officer

2/3/2021
Date

CORRECTIVE ACTION PLAN

December 31, 2019

Health Resources and Services Administration

Brooklyn Plaza Medical Center, Inc. respectfully submits the following corrective action plan for the year ended December 31, 2019.

CohnReznick LLP
1301 Avenue of the Americas
New York, NY 10019

Audit Period: December 31, 2019

The findings from the December 31, 2019 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2019-001 – Books and Records and Audit Reporting

MATERIAL WEAKNESS

See Finding 2019-005 below for recommendation and corrective action taken.

Finding 2019-002 – Time and Effort Reporting and Salary Expense Allocation

MATERIAL WEAKNESS

See Finding 2019-004 below for recommendation and corrective action taken.

FINDINGS – FEDERAL AWARDS PROGRAM AUDIT

U.S. Department of Health and Human Services, Health Centers Cluster Programs (CFDA 93.224/93.527)

Finding 2019-003 – Special Tests and Provisions

MATERIAL WEAKNESS

Recommendation

We recommend that proper training be given to employees at registration to ensure that the sliding fee discounts be monitored and reviewed by a supervisor on a periodic basis to ensure compliance with the sliding fee scale. In addition, management should conduct internal audits to ensure proper documentation is maintained on file to support the sliding fee discounts given.

Action Taken

This finding was also identified in the December 31, 2018 prior year audit which was issued in December 2019. The Center began its corrective action in 2020. However, due the pandemic and staff turnover, we were not able to fully implement our plan.

This finding will be fully corrected in February 2021. Our new CFO has met with our billing manager and the front desk manager to institute the following plan:

On a monthly basis, the Front desk manager will pull a sample of self-pay patient claims and review for accuracy. They will be ongoing training provided to the front desk staff. In addition, the Billing manager will select a sample of self-pay patient claims on a quarterly basis and review for accuracy. The billing manager will notify the CFO of her finding, if any.

Finding 2019-004 – Time and Effort Reporting and Salary Expense Allocation

MATERIAL WEAKNESS

Recommendation

We recommend that the Center prepare time and effort attestations reports in accordance with the regulations of the Uniform Guidance and the Center's policy. These reports should be reviewed and signed by the direct supervisor in accordance with the Center's policy. The Center should perform some quality control on the review and approval process of time and effort reporting periodically throughout the year. We also recommend that all program expenses, including indirect expenses be recognized and duly allocated to the respective programs in the general ledger. This will ensure that the program-level profit and loss statements for any period are accurate and will provide more reliable information to users of such statements when evaluating the status of the programs.

Action Taken

This finding was also identified in the December 31, 2018 prior year audit which was issued in December 2019. The Center made corrective plan as soon as it was made aware of the issue by the auditors.

This finding was corrected in January 2020. The Center created a time and effort policy which calls for a system to be in place to document time and effort of direct program supported by all grant funds. The system was implemented in January 2020. It requires that all employees who are funded by multiple funding sources to complete an allocation attestation form documenting time and effort allocations between the funding sources. The form has to be signed by the employee direct supervisor. In 2021, we intend to computerize this process in consultation with our payroll provider (Paycom).

We have also upgraded our accounting systems (Fundez) which will make it easier to allocate direct and indirect expenses to programs.

Finding 2019-005 – Books and Records and Audit Reporting

We recommend that the Center implement policies and procedures that allow for the timely reconciliation of accounts monthly. In addition, the Center should establish controls to ensure that all accounting records are analyzed and proper support is available in order to ensure that the financial statement audit is submitted on a timely basis to the federal government.

Action Taken

This finding was also identified in the December 31, 2018 prior year audit which was issued in December 2019. In October 2020, The Center hired a Certified Public Accountant with over 30 years' experience as auditor and CFO of various Federally Qualified Health Centers who will ensure that monthly closings are done on a timely matter and the books will be ready for the 2020 audit.

If the Health Resources and Services Administration has questions regarding this plan, please call Daniel Desire CPA, Chief Financial Officer at 718-596-9800, ext. 226.

Sincerely yours,

Signature:

Name: Philip Ororato

Title: CEO