

BOND COMMUNITY HEALTH CENTER, INC.

FINANCIAL STATEMENTS

JUNE 30, 2017

BOND COMMUNITY HEALTH CENTER, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Bond Community Health Center, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Bond Community Health Center, Inc. which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, 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.

Auditors' 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.

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121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386-257-4100

133 East Indiana Avenue
DeLand, FL 32724-4329
Telephone: 386-738-3300

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352-378-1331

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850-386-6184

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bond Community Health Center, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the entity will continue as a going concern. As discussed in Note 14 to the financial statements, the entity has suffered recurring reductions in grant revenues, recurring losses, and has substantial current liabilities coming due that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

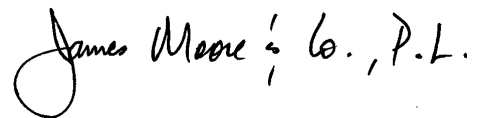
Other Matters

Other Information

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 and State Financial Assistance is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, Rules of the State of Florida, Office of the Auditor General, and is not a required part of the financial statements. The additional information and the schedule of expenditures of federal awards and state financial assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017 on our consideration of Bond Community Health Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bond Community Health Center, Inc.'s internal control over financial reporting and compliance.



Tallahassee, Florida
December 15, 2017

**BOND COMMUNITY HEALTH CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017**

ASSETS

Current assets	
Cash and cash equivalents	\$ 256,598
Grant and contract receivables	419,091
Patient accounts receivable, net of allowances \$2,150,838	160,842
Unconditional promise to give	25,000
Pharmacy inventory	86,462
Total current assets	<u>947,993</u>
Property and equipment, net	3,611,908
Total Assets	<u><u>\$ 4,559,901</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	\$ 909,510
Current portion of notes payable	128,652
Current portion of capital lease payable	13,290
Line of credit	264,565
Total current liabilities	<u>1,316,017</u>
Long-term liabilities	
Notes payable, less current portion	1,866,538
Total Liabilities	<u>3,182,555</u>
Net assets	
Temporarily restricted	25,000
Unrestricted	1,352,346
Total net assets	<u>1,377,346</u>
Total Liabilities and Net Assets	<u><u>\$ 4,559,901</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

BOND COMMUNITY HEALTH CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues			
Charges for services, net	\$ 2,501,058	\$ -	\$ 2,501,058
Pharmacy sales, net of cost	1,232,718	-	1,232,718
Grants and contracts	3,431,656	25,000	3,456,656
In-kind	6,000	-	6,000
Contributions	71,419	-	71,419
Net assets released from restrictions	25,000	(25,000)	-
Total support and revenues	<u>7,267,851</u>	<u>-</u>	<u>7,267,851</u>
Expenses			
Program services	6,069,110	-	6,069,110
Administrative services	1,311,338	-	1,311,338
Total expenses	<u>7,380,448</u>	<u>-</u>	<u>7,380,448</u>
Decrease in net assets	<u>(112,597)</u>	<u>-</u>	<u>(112,597)</u>
Net assets, beginning of year	1,464,943	25,000	1,489,943
Net assets, end of year	<u>\$ 1,352,346</u>	<u>\$ 25,000</u>	<u>\$ 1,377,346</u>

The accompanying notes to financial statements
are an integral part of this statement.

**BOND COMMUNITY HEALTH CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Program Services</u>	<u>Administrative Services</u>	<u>Total</u>
Bad debts	\$ 630,737	\$ -	\$ 630,737
Data processing	180,699	35,474	216,173
Depreciation	215,159	42,239	257,398
Dues and subscriptions	16,216	-	16,216
Fringe benefits	305,427	86,930	392,357
In-kind	6,000	-	6,000
Insurance	121,085	23,771	144,856
Interest	88,392	17,353	105,745
Lab fees	76,660	-	76,660
Medical supplies	133,679	-	133,679
Occupancy	260,570	30,737	291,307
Office supplies	75,646	14,850	90,496
Other	36,525	7,393	43,918
Personnel	3,387,185	994,052	4,381,237
Postage	5,671	1,113	6,784
Professional fees	466,274	50,376	516,650
Repairs and maintenance	35,914	7,050	42,964
Travel	27,271	-	27,271
Total expenses	<u>\$ 6,069,110</u>	<u>\$ 1,311,338</u>	<u>\$ 7,380,448</u>

The accompanying notes to financial statements
are an integral part of this statement.

**BOND COMMUNITY HEALTH CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

Cash flows from operating activities	
Cash received from patients, grantors, and others	\$ 7,416,728
Cash paid to employees and vendors	(7,105,163)
Interest paid	(105,745)
Net cash provided by operating activities	205,820
Cash flows from investing activities	
Purchases of equipment	(338,208)
Net cash used in investing activities	(338,208)
Cash flows from financing activities	
Payments on capital lease payable	(13,946)
Proceeds from notes payable	99,000
Payments on notes payable	(50,423)
Net cash provided by financing activities	34,631
Net decrease in cash and cash equivalents	(97,757)
Cash and cash equivalents, beginning of year	354,355
Cash and cash equivalents, end of year	\$ 256,598
Reconciliation of decrease in net assets to net cash provided by operating activities	
Decrease in net assets	\$ (112,597)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	246,366
Increase in grant and contract receivables	(262,654)
Decrease in patient accounts receivable	417,531
Decrease in pharmacy inventory	39,834
Decrease in accounts payable and accrued expenses	(122,660)
Total adjustments	318,417
Net cash provided by operating activities	\$ 205,820

The accompanying notes to financial statements
are an integral part of this statement.

BOND COMMUNITY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

(1) Summary of Significant Accounting Policies:

The following is a summary of the more significant accounting policies and practices of Bond Community Health Center, Inc. which affect significant elements of the accompanying financial statements:

(a) **General**—Bond Community Health Center, Inc. (the “Organization”), was incorporated in 1984 as a 501(c)(3) nonprofit organization. The Organization provides health care services to low-income and no-income individuals through a reduced fee medical clinic in North Florida. The Organization also offers health education, and medical social services.

The Organization’s mission is to improve the physical, spiritual, psychosocial, and psychological well-being of the residents of Leon and surrounding counties by providing access to the highest quality comprehensive family health services with particular concern for lower socioeconomic groups, regardless of their ability to pay.

(b) **Property and Equipment**—Property and equipment with a value greater than \$1,500 and an estimated useful life of at least one year are recorded at cost when purchased or at fair value when contributed. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from five to forty years. The Federal Government has a reversionary interest in those assets purchased with its funds which have a cost of \$5,000 or more and an estimated useful life of at least one year. The State of Florida has a reversionary interest in those assets purchased with its funds which have a cost of \$1,000 or more and an estimated useful life of at least one year.

(c) **Income Taxes**—The Organization is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and therefore, no provision for income taxes has been made in the accompanying financial statements. The Organization files income tax returns in the U.S. Federal jurisdiction. The Organization’s income tax returns for the past three years are subject to examination by tax authorities and may change upon examination. The Organization has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Organization.

(d) **Cash and Cash Equivalents**—For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, amounts in demand deposits held with banks, and short-term investments with an original maturity of ninety days or less.

(e) **Patient Accounts Receivable**—Patient accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient accounts receivable.

(f) **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.

BOND COMMUNITY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

(1) **Summary of Significant Accounting Policies:** (Continued)

(g) **Basis of Accounting**—The financial statements of the Organization have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

(h) **Basis of Presentation**—The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

(i) **Functional Allocation of Expenses**—The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(j) **Contributions**—All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases these net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Contributed services and other support are reported as support and expenses at their estimated fair value in the period in which they are donated.

(k) **Grant and Contract Receivables**—Grant and contract receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

BOND COMMUNITY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

(1) **Summary of Significant Accounting Policies:** (Continued)

(l) **Accrued Leave**—The Organization compensates its employees for unused vacation leave upon termination of employment up to a specified maximum number of hours based upon the employee's length of employment. The amount of the change in accrued leave for all employees from one year to the next is reported as an expense during the current year.

(m) **Advertising Costs**—Advertising costs are charged to operations in the period incurred.

(n) **Revenue Recognition**—The Organization receives all of its grant and contract revenue from state and local agencies. The Organization recognizes contract revenue (up to the contract ceiling) from its contracts over a period which represents the service period for certain contracts, or to the extent of expenses. Revenue recognition depends on the contract.

(o) **Third-party Contractual Adjustments**—Retroactively calculated third-party contractual adjustments are accrued on an estimated basis in the period the related services are rendered. Net patient service revenue is adjusted as required in subsequent periods based on final settlements.

(p) **Net Patient Service Revenue**—Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Organization considers accounts past due when they are outstanding beyond 60 days with no payment. The Organization generally does not charge interest on past due accounts. Patient receivables are written off against the allowance for doubtful accounts when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received.

(q) **Charity Care**—The Organization has a policy of providing charity care to patients who are unable to pay. Such patients are charged fees based upon a sliding fee schedule based upon poverty guidelines. Since management does not expect payment for charity care, the estimated charges are excluded from patient service revenues.

(r) **Pharmacy Inventory**—Pharmacy Inventory consists of drugs and other pharmaceutical supplies and is stated at the lower of cost or fair market value using the first-in, first-out (FIFO) method.

(s) **Recently issued accounting pronouncements**—The Financial Accounting Standards Board (FASB) has issued new or modifications to, or interpretations of, existing accounting guidance. The Organization has considered the new pronouncements that altered accounting principles generally accepted in the United States of America, and other than as disclosed in the notes to the financial statements below, does not believe that any other new or modified principles will have a material impact on the Organization's reported financial position or operations in the near term.

In May 2014, the FASB issued Accounting Standards Update 2014-09: Revenue from Contracts with Customers, to clarify the principles used to recognize revenue for all entities. The new standard (as amended) is effective for fiscal years beginning after December 15, 2018 and may be adopted early. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

BOND COMMUNITY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

(1) **Summary of Significant Accounting Policies:** (Continued)

(s) **Recently Issued Accounting Pronouncements** (Continued)—In February 2016, the FASB issued Accounting Standards Update 2016-02: Leases (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The new standard is effective for fiscal years beginning after December 15, 2019 and may be adopted early. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

In August 2016, the FASB issued Accounting Standards Update 2016-14: Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, to make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities, including net asset classification requirements and the information presented about an entity's liquidity, financial performance, and cash flows. The new standard is effective for fiscal years beginning after December 15, 2017 and may be adopted early. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

(2) **Concentrations of Credit Risk:**

The more significant concentrations of credit risk are as follows:

(a) **Demand and Time Deposits**—The Organization maintains cash deposits with multiple financial institutions. The Organization has no policy requiring collateral to support its cash deposits, although accounts at the bank are insured up to Federal Deposit Insurance Corporation limits.

(b) **Grant and Contract Receivables**—The Organization's receivables are for amounts due under grants and contracts with the Federal Government, State of Florida and local government agencies. The Organization has no policy requiring collateral or other security to support its receivables.

(c) **Patient Receivables**—Patients receivables are unsecured obligations of patients, private and commercial insurance companies, Medicare and Medicaid. Management recognizes that receivables from Medicaid and Medicare are significant, but does not believe that there are significant credit risks associated with government agencies.

(d) **Unconditional Promise To Give**—Financial instruments that potentially subject the Organization to concentrations of credit risk include an unconditional promise to give. The unconditional promise to give is from Sunshine Lady Foundation.

BOND COMMUNITY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

(3) **Retirement Plan:**

The Organization sponsors a defined contribution and profit sharing plan pursuant to Section 401(k) of the Internal Revenue Code, covering substantially all employees. Under the plan, employees contribute a specified percentage of their salary, or a fixed dollar amount, to the plan. The Organization may agree to make profit sharing contributions to their employees' 401(k) plan. Contributions to the plan for the year ending June 30, 2017 totaled \$34,207.

(4) **Significant Funding Sources:**

The Organization receives a substantial amount of its funding from the U.S. Department of Health and Human Services and the Agency for Health Care Administration. A significant reduction in the level of this funding could have an adverse effect on the Organization's programs and activities.

(5) **Temporarily Restricted Net Assets:**

At June 30, 2017, the Organization had \$25,000 in temporarily restricted net assets relating to the unconditional promise to give amount receivable that has not yet been spent for its restricted purpose.

(6) **Contingent Liabilities:**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Organization expects amounts, if any, to be immaterial.

(7) **In-Kind Support:**

The Organization receives in-kind rental space. The value of this in-kind support is based upon the fair value of similar rental properties. In-kind revenue and expense totaled \$6,000 for the year ended June 30, 2017 and is recognized in the Statement of Activities.

(8) **Capital Lease:**

The Organization has an equipment lease ending in May 2018. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of its inception date. Leased equipment under the capital lease obligation of \$44,094 is included in property and equipment at June 30, 2017. Accumulated depreciation related to the equipment is \$12,598 at June 30, 2017. Depreciation expense related to the equipment and included in the Statement of Activities for the year ended June 30, 2017 was \$6,299.

BOND COMMUNITY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

(8) **Capital Lease:** (Continued)

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2017 were as follows:

Year Ended June 30,	Amount
2018	\$ 13,594
2019	-
2020	-
2021	-
2022	-
	13,594
Less amount representing interest	304
Present value of net minimum lease payments	\$ 13,290

Interest rate on the capitalized assets are 4.86% and is imputed based on the lower of the Organization's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of the return.

(9) **Operating lease:**

The Organization leases building space under an operating lease expiring in November 2022. Total rental expense for the year ended June 30, 2017 was \$102,000. Minimum future rental payments for the next five years and in the aggregate under this non-cancelable operating lease having a remaining term in excess of one year as of June 30, 2017 are as follows:

Year	Amount
2018	\$ 102,000
2019	112,000
2020	120,000
2021	120,000
2022	120,000
Thereafter	50,000
Total minimum future rental payments	\$ 624,000

(10) **Property and Equipment:**

Major classifications of property and equipment are as follows:

Land	\$ 295,000
Building and Improvements	3,711,366
Furniture and Equipment	1,257,728
Vehicles	314,923
	5,579,017
Less: Accumulated Depreciation	1,967,109
Net Property and Equipment	\$ 3,611,908

BOND COMMUNITY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

(11) **Notes Payable:**

Notes payable consist of the following at June 30, 2017:

4.65% note payable to bank, interest payable monthly, with a balloon payment of unpaid principal and interest thru July 5, 2018, collateralized by building.	\$ 1,887,601
10% note payable to corporation, \$15,750 payable monthly plus interest, with a final payment of \$15,582 due September, 2017, collateralized by Organization assets.	29,652
0% note payable to individual, due August 2017, uncollateralized.	89,000
0% note payable to individual, due October 2017, uncollateralized.	10,000
Total long-term debt	2,016,253
Less: current portion	128,652
Less: unamortized debt issuance costs	21,063
Total long-term debt, less current portion	\$ 1,866,538

Maturities of notes payable over the next five years, and in the aggregate, are as follows:

Year	Amount
2018	\$ 128,652
2019	1,887,601
2020	-
2021	-
2022	-
Total	\$ 2,016,253

(12) **Charity Care:**

In the ordinary course of business, the Organization renders services to patients who are financially unable to pay for Organization care. The Organization's policy is to not pursue collections for such amounts, therefore, the related charges for those patients who are financially unable to pay and that otherwise do not qualify for reimbursement from a governmental program are not reported in net operating revenues or in the provision for bad debts, and are thus classified as charity care. The Organization determines amounts that qualify for charity care primarily based on the patient's household income relative to the federal poverty level guidelines, as established by the federal government.

Included in the provision for contractual allowance is approximately \$36,000 for the year ended June 30, 2017, representing the value (at the Organization's standard charges) of these charity care services that are excluded from net operating revenues.

BOND COMMUNITY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

(13) **Patient Receivables:**

Patient receivables are unsecured obligations of patients, private and commercial insurance companies, Medicare and Medicaid. Management recognizes that receivables from Medicaid and Medicare are significant, but does not believe that there are significant credit risks associated with government agencies. The mix of receivables from patients and third-party payors at June 30, 2017 was as follows:

Self pay/Sliding fee	27%
Medicaid	39
Medicare	27
Commercial	7
	<hr/>
	100%
	<hr/>

(14) **Going Concern:**

The Organization has suffered recurring reductions in grant revenues, recurring losses, and has substantial current liabilities coming due that raise substantial doubt about its ability to continue as a going concern. Management intends to continue furloughs for certain employees while reducing salaries of other certain employees. In addition, management is negotiating with vendors on payment plans and forgiveness of accounts payable as in-kind support. Management is communicating with financial institutions on debt restructuring. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Management acknowledges that uncertainty remains over the ability of the Organization to meet its current financial obligations as they become due and to refinance or repay its notes as they mature.

(15) **Subsequent Events:**

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through December 15, 2017, the date which the financial statements were available to be issued.

(16) **Related Party Transactions:**

During the year ended June 30, 2017, \$99,000 was loaned to the Organization from related parties to assist with cash flow. These notes are included in notes payable at year end (see Note 11).

(17) **Line of Credit:**

The Organization has a matured line of credit for \$264,565 at 5.0% interest. Interest is due monthly. The line of credit is collateralized by inventory chattel paper, accounts, equipment and general intangibles.

BOND COMMUNITY HEALTH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	State CFSA Number	Contract Number	Expenditures
<u>FEDERAL AWARDS</u>				
U.S. Department of Health and Human Services				
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	-	H12HA24786-04-00	\$ 530,370
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	-	H80CS28957	1,205,302
Total Federal Awards				<u>1,735,672</u>
<u>STATE FINANCIAL ASSISTANCE</u>				
Agency for Health Care Administration				
Community Primary Care Services	-	68.012	GFA002	<u>978,525</u>
Total State Financial Assistance				978,525
Total Federal Awards and State Financial Assistance				<u>\$ 2,714,197</u>

The accompanying notes to Schedule of Expenditures of Federal Awards and State Financial Assistance
is an integral part of this schedule.

BOND COMMUNITY HEALTH CENTER, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2017

Note 1. Basis of Presentation

The accompanying schedule of expenditures of Federal awards and State financial assistance includes the Federal awards and State financial assistance of Bond Community Health Center, Inc. under programs of the federal and state government for the year ended June 30, 2017 in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, Rules of the State of Florida, Office of the Auditor General. Because the Schedule presents only a selected portion of the operations of Bond Community Health Center, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of Bond Community Health Center, Inc.

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 allowed or are limited as to reimbursement.

Notes 3. De Minimis Indirect Cost Rate Election

Bond Community Health Center, Inc. has elected not to use the 10 percent de minimus Indirect Cost Rate Election.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors,
Bond Community Health Center, Inc.:

We have audited the financial statements of Bond Community Health Center, Inc as of and for the year ended June 30, 2017, and have issued our report thereon dated December 15, 2017. 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.

Internal Control over Financial Reporting

Management of Bond Community Health Center, Inc is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Bond Community Health Center, Inc's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bond Community Health Center, Inc's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency listed as 2017-001 in the accompanying schedule of findings and questioned costs to be a material weakness.

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121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386-257-4100

133 East Indiana Avenue
DeLand, FL 32724-4329
Telephone: 386-738-3300

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352-378-1331

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850-386-6184

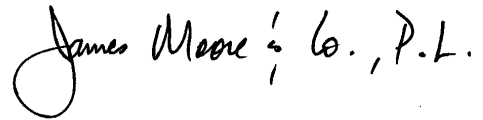
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bond Community Health Center, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Bond Community Health Center, Inc's Response to Findings

Bond Community Health Center, Inc's response to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit Bond Community Health Center, Inc's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, looped initial "J".

Tallahassee, Florida
December 15, 2017

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND MAJOR STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.650, RULES OF THE STATE OF FLORIDA, THE AUDITOR GENERAL

To the Board of Directors,
Bond Community Health Center, Inc.

Report on Compliance for Each Major Federal Program and State Project

We have audited Bond Community Health Center, Inc.'s compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* and the requirements described in the Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on each of Bond Community Health Center, Inc.'s major federal programs and major State projects for the year ended June 30, 2017. Bond Community Health Center, Inc.'s major federal programs and major State projects are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Bond Community Health Center, Inc.'s major federal programs and major state projects 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; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, Rules of the State of Florida, Office of the Auditor General. Those standards, the Uniform Guidance, and Chapter 10.650, Rules of the State of Florida, Office of the Auditor General, 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 or major state project occurred. An audit includes examining, on a test basis, evidence about Bond Community Health Center, Inc.'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 and major state project. However, our audit does not provide a legal determination of Bond Community Health Center, Inc.'s compliance.

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Opinion on Each Major Federal Program and Major State Project

In our opinion, Bond Community Health Center, Inc. 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 programs and major state projects for the year ended June 30, 2017.

Report on Internal Control over Compliance

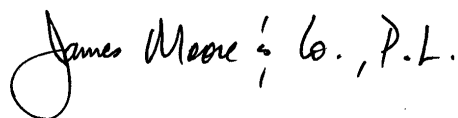
Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and major state project 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 major state project and to test and report on internal control over compliance in accordance with the Uniform Guidance, and chapter 10.650 Rules of the State of Florida, Office of the Auditor General 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 Organization'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 or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project 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 or state project 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 were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-002, 2017-003 and 2017-004 that we consider to be material weaknesses.

Bond Community Health Center, Inc.'s responses to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plan. Bond Community Health Center, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 and Chapter 10.650, Rules of the State of Florida, Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.



Tallahassee, Florida
December 15, 2017

**BOND COMMUNITY HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

I. Summary of Auditors' Results:

Financial Statements

Type of audit report issued on the financial statements: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiencies identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major Federal programs:

- Material weakness (es) identified? X yes no
- Significant deficiencies identified? yes X none reported

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

Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs:

Federal Program	Federal CFDA Number
Consolidated Health Center Program	93.224
Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u> 750,000</u>
Auditee qualified as a low risk auditee?	<u> </u> yes <u> X </u> no

BOND COMMUNITY HEALTH CENTER, INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)

II. Financial Statement Findings:

Finding 2017-001: Segregation of Duties

1. *Condition and Criteria:* Internal controls are designed to safeguard assets and help prevent or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties.
2. *The Context:* The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.
 - We noted there is no approval of journal entries and some adjusting journal entries tested, did not have adequate supporting documentation.
 - We noted unauthorized bills can be paid online.
3. *The Effect or Potential Effect:* Misstatement or errors or irregularities in the financial statements.
4. *The Cause:* Lack of well-defined segregation of duties.
5. *Recommendation:* We recommend that a copy of the entry be printed and attached to the support which should then be approved by someone other than who made the entry and this person have adequate knowledge of generally accepted accounting principles. We recommend that all disbursements be approved prior to payment.

BOND COMMUNITY HEALTH CENTER, INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)

III. Federal Award Findings and Questioned Costs:

Finding 2017-002:

Information on the Federal Program: CFDA 93.224. Consolidated Health Center Program. *Award Number:* H80CS28957. *Compliance Requirements:* Activities allowed and program income. *Type of Finding:* Material Noncompliance.

6. *Criteria:* The internal controls over compliance should be functioning properly verifying patients who should be billed under the grant.
7. *The condition:* Verification of patient billing was unable to be determined for certain patients lacking an insurance card, proof of income for the sliding scale, proof of visit, or personal identification card. There was 11 out of 40 deviations total.
8. *The context:* Documentation for patient files is not properly obtained by staff at time of encounter.
9. *The effect or potential effect:* Controls over patient billing are not functioning and patients may be improperly billed under the grant.
10. *The cause:* Required documentation was not obtained from the clients at time of encounter and placed in the files for the billing staff to use when performing billings.
11. *Recommendation:* Policies should be implemented and followed that require staff to obtain all required documentation at time of encounter. Internal reviews should be performed to ensure the policy is being followed.

Finding 2017-003:

Information on the Federal Program: CFDA 93.224. Health Center Program. *Award Number:* H80CS28957. *Compliance Requirement:* Activities allowed. *Type of Finding:* Material Noncompliance.

1. *Criteria:* Costs should be allocated in the accounting system among the grants according to CFR 200.
2. *The condition:* None of the costs were allocated in the accounting system among the grant programs during the fiscal year.
3. *The context:* There is no allocation plan at the Organization to allocate expenses among the grant programs.
4. *The effect or potential effect:* The expenses could be improperly reimbursed by a grant program and the grantor could require repayment.
5. *The cause:* Management has not created a cost allocation plan and implemented it.
6. *Recommendation:* Management should create a cost allocation plan to allocate expenses among the grant programs and implement it.

BOND COMMUNITY HEALTH CENTER, INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)

IV. State Project Findings and Questioned Cost:

Finding 2017-004:

Information on the State Project: CSFA 68.012. Community Primary Care Services. *Award Number:* GFA002. *Compliance Requirement:* Activities allowed. *Type of Finding:* Material Noncompliance.

1. *Criteria:* Costs should be allocated in the accounting system among the grants according to a Cost Allocation Plan.
2. *The condition:* None of the costs were allocated in the accounting system among the grant programs during the fiscal year.
3. *The context:* There is no allocation plan at the Organization to allocate expenses among the grant programs.
4. *The effect or potential effect:* The expenses could be improperly reimbursed by a grant program and the grantor could require repayment.
5. *The cause:* Management has not created a cost allocation plan and implemented it.
6. *Recommendation:* Management should create a cost allocation plan to allocate expenses among the grant programs and implement it.

V. Management letter required by Chapter 10.650, Rules of the State of Florida, Office of the Auditor General: Nothing to report

VI. State Project Prior Year Audit Findings: None

**BOND COMMUNITY HEALTH CENTER, INC
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

Finding 2016-001: Segregation of Duties

Status: Unresolved

Bond agrees with this finding and the associated recommendations aimed toward enhancing the existing internal controls. Further, Bond is in the process of revising its Policy and Procedures to ensure the following practices are followed:

- Journal entries prepared by the CFO will be approved by the CEO.
- Checks will continue to be signed electronically through the accounting software. A binder containing documentation of the approval of payments is being maintained.

Finding 2016-002: Reconcile Accounts Receivable Subsidiary ledgers to the General Ledger

Status: Resolved

Finding 2016-003: Patient Services receivable and revenue

Status: Unresolved

Bond acknowledges that when patient files were sampled for verification of the necessary documents, that 11 out of 40 were missing documentation.

Bond allows patients 10 days after being seen to provide documentation missing at the time of the visit. Bond has determined that with this procedure in place, some patients inevitably will not return to provide the necessary documentation, and therefore Bond is unable to ensure 100% compliance with patient eligibility requirements. Bond is considering revising its procedures to require all documentation be provided before a patient can be seen and the ramification of such a procedural change.

After Bond was made aware of prior year findings, Bond adopted a new practice management system in January 2017.

Finding 2016-004: Cost Allocations

Status: Unresolved

Bond acknowledges that it did not have a cost allocation plan for the entire year under audit and has created a plan and will implement as needed to allocate expenses among the grant programs. Further, Bond has updated its Policy and Procedures manual to include the creation and annual review of the cost allocation plan.

Corrective Action Plan

Finding 2017-001 – Segregation of Duties

Bond agrees with the finding and the associated recommendation. Future journal entries will be accompanied by supporting documentation and journal entries prepared by the CFO will be reviewed and approved by the CEO.

Further, an independent employee will be present during the payment of bills online to observe the transaction and verify that each bill has received the necessary authorized.

Finding 2017-002 – Patient Verification

Bond agrees with the finding and the associated recommendation and will continue to monitor patient verification to ensure the documentation of all eligibility requirements is maintained.

Finding 2017-003 – Cost Allocation Plan

Bond agrees that although the cost allocation plan was created and certified at the end of the fiscal year, it was not fully implemented until after fiscal year-end. During the current fiscal year, Bond will allocate expenses among the grant programs on a monthly basis instead of an annual basis.

Finding 2017-004 – Cost Allocation Plan

Bond agrees that although the cost allocation plan was created and certified at the end of the fiscal year, it was not fully implemented until after fiscal year-end. During the current fiscal year Bond will allocate expenses among the grant programs on a monthly basis.