

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

TAMPA FAMILY HEALTH CENTERS, INC.

March 31, 2017 and 2016

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**RIVERO, GORDIMER & COMPANY, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS**

Member  
American Institute of Certified Public Accountants  
Florida Institute of Certified Public Accountants

Herman V. Lazzara  
Marc D. Sasser  
Sam A. Lazzara  
Kevin R. Bass  
Jonathan E. Stein  
Richard B. Gordimer, of Counsel  
Cesar J. Rivero, in Memoriam (1942-2017)

Stephen G. Douglas  
Michael E. Helton  
Christopher F. Terrigino  
James K. O'Connor

INDEPENDENT AUDITORS' REPORT

Board of Directors  
Tampa Family Health Centers, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of Tampa Family Health Centers, Inc. (the "Center"), which comprise the statements of financial position as of March 31, 2017 and 2016, and the related statements of operations and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

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

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 Tampa Family Health Centers, Inc. as of March 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

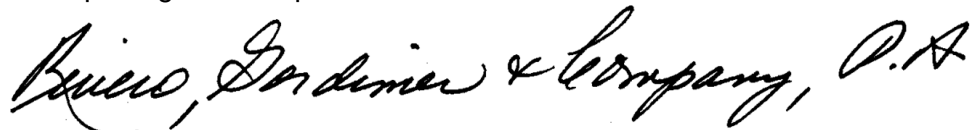
## **Other Matters**

### *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, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.650, *Rules of the Florida Auditor General*, 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 July 24, 2017, on our consideration of Tampa Family Health Centers, 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 Tampa Family Health Centers, Inc.'s internal control over financial reporting and compliance.



Tampa, Florida  
July 24, 2017

Tampa Family Health Centers, Inc.

STATEMENTS OF FINANCIAL POSITION

March 31,

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents (notes A5 and H)	\$ 22,383,239	\$ 17,901,722
Patient accounts receivable, net (notes A3 and C)	4,333,388	3,516,647
Grants receivable (note A6)	703,510	153,744
Inventory (note A7)	352,585	308,440
Prepaid expenses and other assets	<u>374,995</u>	<u>316,144</u>
Total current assets	28,147,717	22,196,697
Property and equipment, net of accumulated depreciation (notes A8 and B)	36,712,343	38,123,214
Investments (notes E and J)	<u>500,000</u>	<u>500,000</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 65,360,060</b></u>	<u><b>\$ 60,819,911</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 1,082,994	\$ 896,526
Accrued expenses (note C2)	3,291,121	3,944,077
Refundable advances (note A9)	<u>6,985</u>	<u>502,250</u>
Total current liabilities	<u>4,381,100</u>	<u>5,342,853</u>
Total liabilities	4,381,100	5,342,853
Net assets - unrestricted (note A4)	<u>60,978,960</u>	<u>55,477,058</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 65,360,060</b></u>	<u><b>\$ 60,819,911</b></u>

The accompanying notes are an integral part of these statements.

Tampa Family Health Centers, Inc.

STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended March 31,

	<u>2017</u>	<u>2016</u>
<b>PUBLIC SUPPORT AND OPERATING REVENUE</b>		
Net patient service revenue (notes A3 and C)	\$ 42,521,014	\$ 37,237,810
Public support		
Federal support	7,525,792	8,058,555
State support	911,300	611,563
Local support	409,309	833,207
In-kind support (note A10)	259,180	292,760
Contributions	<u>377,578</u>	<u>408,598</u>
Total public support	<u>9,483,159</u>	<u>10,204,683</u>
Total public support and operating revenue	<u>52,004,173</u>	<u>47,442,493</u>
<b>OPERATING EXPENSES</b>		
Program services		
Medical	28,309,686	30,223,541
Dental	7,256,011	6,884,525
Pharmacy	<u>4,952,223</u>	<u>4,292,444</u>
Total program services	<u>40,517,920</u>	<u>41,400,510</u>
Support services - administrative	<u>6,274,317</u>	<u>5,881,852</u>
Total expenses	<u>46,792,237</u>	<u>47,282,362</u>
Operating income	<u>5,211,936</u>	<u>160,131</u>
<b>OTHER INCOME</b>		
Realized gain on sale of investment (note E)	-	4,185,691
Other revenue	<u>289,966</u>	<u>306,076</u>
	<u>289,966</u>	<u>4,491,767</u>
<b>CHANGE IN NET ASSETS</b>	5,501,902	4,651,898
Net assets at beginning of year	<u>55,477,058</u>	<u>50,825,160</u>
Net assets at end of year	<u>\$ 60,978,960</u>	<u>\$ 55,477,058</u>

The accompanying notes are an integral part of these statements.

Tampa Family Health Centers, Inc.

STATEMENTS OF CASH FLOWS

For the year ended March 31,

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	<u>\$ 5,501,902</u>	<u>\$ 4,651,898</u>
Adjustments to reconcile net cash provided by operating activities		
Depreciation and amortization	2,026,098	2,120,300
Net realized gain on investments	-	(4,185,691)
Loss on sale of equipment	1,924	-
(Increase) decrease in patients receivable	(816,741)	1,605,676
(Increase) decrease in grants receivable	(549,766)	880,586
(Increase) decrease in inventory	(44,145)	17,485
(Increase) decrease in prepaid expenses and other assets	(58,851)	2,848
Increase (decrease) in accounts payable	186,468	(203,831)
(Decrease) increase in accrued expenses	(652,956)	2,312,179
(Decrease) increase in refundable advances	(495,265)	161,403
Total adjustments	<u>(403,234)</u>	<u>2,710,955</u>
Net cash provided by operating activities	<u>5,098,668</u>	<u>7,362,853</u>
Cash flows from investing activities		
Sale of equipment	64,351	8,994
Sale of investment	-	5,005,465
Issuance of note receivable	-	(1,515,400)
Payments on note receivable	-	2,015,400
Capital expenditures	<u>(681,502)</u>	<u>(1,327,779)</u>
Net cash (used) provided by investing activities	<u>(617,151)</u>	<u>4,186,680</u>
Net increase in cash	4,481,517	11,549,533
Cash and cash equivalents at beginning of year	<u>17,901,722</u>	<u>6,352,189</u>
Cash and cash equivalents at end of year	<u>\$ 22,383,239</u>	<u>\$ 17,901,722</u>
Supplemental disclosures of cash flow information		
Cash paid during the year - interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid during the year - income taxes	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

Tampa Family Health Centers, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended March 31, 2017

	Program Services			Program Services Total	Administrative Services	Total
	Medical	Dental	Pharmacy			
Salaries	\$ 15,164,036	\$3,630,383	\$2,131,885	\$ 20,926,304	\$ 4,075,045	\$25,001,349
Taxes and benefits	2,438,534	544,565	279,085	3,262,184	627,792	3,889,976
Total salaries and related expenses	17,602,570	4,174,948	2,410,970	24,188,488	4,702,837	28,891,325
Contracted services	3,321,031	259,386	3,260	3,583,677	12,878	3,596,555
Advertising	14,153	9,589	234	23,976	254,202	278,178
Bad debt	812,319	637,893	-	1,450,212	-	1,450,212
Data processing	1,084,018	205,553	186,269	1,475,840	60,512	1,536,352
Dues and subscriptions	34,423	3,041	8,712	46,176	105,948	152,124
Equipment rental	-	-	-	-	-	-
Insurance	81,688	18,243	6,056	105,987	75,879	181,866
Professional fees	589,317	171,188	-	760,505	203,494	963,999
Other expenses	-	-	260	260	58,801	59,061
Postage and freight	-	-	-	-	88,531	88,531
Pharmaceutical drugs	-	-	2,012,789	2,012,789	-	2,012,789
Printing and storage	115,237	43,924	2,482	161,643	22,025	183,668
Rent	247,408	-	-	247,408	4,922	252,330
Repairs and maintenance	540,254	219,515	43,043	802,812	72,690	875,502
Security service	27,622	5,428	2,750	35,800	680	36,480
Supplies and minor equipment	1,642,060	885,392	107,080	2,634,532	101,513	2,736,045
Taxes and licenses	14,530	3,112	1,360	19,002	1,357	20,359
Telephone	473,996	95,290	35,975	605,261	121,664	726,925
Training	10,114	1,710	728	12,552	132,941	145,493
Travel	41,601	17,858	2,489	61,948	57,905	119,853
Utilities	367,441	55,638	20,904	443,983	14,509	458,492
Total functional expenses before depreciation and amortization	27,019,782	6,807,708	4,845,361	38,672,851	6,093,288	44,766,139
Depreciation and amortization	1,289,904	448,303	106,862	1,845,069	181,029	2,026,098
Total expenses	<u>\$ 28,309,686</u>	<u>\$7,256,011</u>	<u>\$4,952,223</u>	<u>\$ 40,517,920</u>	<u>\$ 6,274,317</u>	<u>\$46,792,237</u>

The accompanying notes are an integral part of this statement.



Tampa Family Health Centers, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended March 31, 2016

	Program Services			Program	Administrative	Total
	Medical	Dental	Pharmacy	Services Total	Services	
Salaries	\$15,340,598	\$3,460,129	\$1,859,457	\$ 20,660,184	\$ 3,945,439	\$24,605,623
Taxes and benefits	2,818,061	561,477	300,171	3,679,709	472,374	4,152,083
Total salaries and related expenses	18,158,659	4,021,606	2,159,628	24,339,893	4,417,813	28,757,706
Contracted services	2,270,663	291,072	2,882	2,564,617	47,352	2,611,969
Advertising	29,302	533	632	30,467	203,219	233,686
Bad debt	2,782,384	467,926	-	3,250,310	-	3,250,310
Data processing	942,552	149,915	156,063	1,248,530	54,517	1,303,047
Dues and subscriptions	37,967	8,416	9,984	56,367	155,698	212,065
Equipment rental	-	-	-	-	2,315	2,315
Insurance	98,748	26,926	6,176	131,850	87,115	218,965
Professional fees	651,367	174,151	-	825,518	164,978	990,496
Other expenses	-	-	-	-	1,652	1,652
Postage and freight	1,892	56	98	2,046	91,116	93,162
Pharmaceutical drugs	-	-	1,663,137	1,663,137	-	1,663,137
Printing and storage	107,581	23,048	1,825	132,454	24,049	156,503
Rent	252,932	-	-	252,932	672	253,604
Repairs and maintenance	538,082	192,637	35,311	766,030	54,709	820,739
Security service	49,578	5,579	4,437	59,594	2,599	62,193
Supplies and minor equipment	2,012,810	922,326	90,848	3,025,984	135,158	3,161,142
Taxes and licenses	14,237	2,774	1,353	18,364	-	18,364
Telephone	422,325	63,959	29,563	515,847	80,687	596,534
Training	4,395	7,576	210	12,181	99,270	111,451
Travel	44,116	9,963	2,824	56,903	87,433	144,336
Utilities	416,579	50,679	22,539	489,797	8,889	498,686
Total functional expenses before depreciation and amortization	28,836,169	6,419,142	4,187,510	39,442,821	5,719,241	45,162,062
Depreciation and amortization	1,387,372	465,383	104,934	1,957,689	162,611	2,120,300
Total expenses	<u>\$30,223,541</u>	<u>\$6,884,525</u>	<u>\$4,292,444</u>	<u>\$ 41,400,510</u>	<u>\$ 5,881,852</u>	<u>\$47,282,362</u>

The accompanying notes are an integral part of this statement.

Tampa Family Health Centers, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2017 and 2016

NOTE A - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and a summary of its significant accounting policies consistently applied in the preparation of the accompanying financial statements follow:

1. Nature of the Organization

Tampa Family Health Centers, Inc. (the "Center") is a not-for-profit corporation with the express purpose of improving the access of quality primary health care to the poor and near poor of the City of Tampa, irrespective of the ability to pay. The Center provides a comprehensive range of outpatient services including prevention, health education, screening, diagnosis, treatment and follow-up care, both directly, and through formal referral arrangements with other public and private sources of health care. Agreements have been established with other providers for the provision of related services, including maternity care, radiology, laboratory and pharmacy.

The Center operates fourteen health care delivery sites, one mobile medical bus, and two mobile dental buses.

2. Significant Accounting Policies

The accounting and reporting policies of the Center conform to accounting principles generally accepted in the United States of America, and are in accordance with the auditing and accounting guides issued by the American Institute of Certified Public Accountants for *Audits of Health Care Entities and Not-for-Profit Organizations*.

The financial statements of the Center are the representation of management and include estimates of amounts and judgments it believes are reasonable under the circumstances. Actual results could differ from these estimates.

3. Basis of Accounting/Patient Service Revenue

The Center prepares its financial statements on the accrual basis of accounting. Patient service revenue is recorded at the net realizable amounts from patients, third-party payers and others for services provided at established rates with sliding fee adjustments and Medicare and Medicaid contractual allowances deducted to determine net patient service revenue. Sliding fee adjustments are determined based on the patients' income and ability to pay.

Contractual adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered. Final settlements are adjusted in future periods, if necessary. The Center believes an adequate provision for contractual adjustments has been made for all open periods (see note C).

Tampa Family Health Centers, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2017 and 2016

NOTE A - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. FASB ASC 958-605 and 958-205

The Center adheres to the provisions of Financial Accounting Standards Board, *Accounting Standards Codification* ("FASB ASC").

FASB ASC 958-605 requires the Center to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. It also requires recognition of contributed services meeting certain criteria at fair value.

FASB ASC 958-205 establishes standards for general purpose external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities, and a statement of cash flows.

5. Cash and Cash Equivalents

Cash and cash equivalents consist of monies in banks and highly liquid short-term money market instruments with a maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short-term maturities of those financial instruments. Cash equivalents approximated \$11,690,000 and \$11,730,000 for the years ended March 31, 2017 and 2016, respectively.

6. Grants Receivable

The Center receives support from various federal, state and local grants. None of the grants receivable at March 31, 2017 and 2016 were deemed to be uncollectible; accordingly, no provision has been made in the accompanying financial statements.

7. Inventory

Inventories consist of drugs and are stated at lower of cost (first-in, first-out method) or fair value. The Center purchases drugs through the 340B Program and uses the drugs for their Medicaid and other patients.

8. Property and Equipment

Property and equipment are recorded at cost, or if donated, at fair value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets, ranging generally from three to twenty years.

Maintenance, repairs and minor renewals are expensed in the year in which the expense is incurred. Additions, improvements and major renewals are capitalized. The Center capitalizes property and equipment additions in excess of \$5,000.

Tampa Family Health Centers, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2017 and 2016

NOTE A - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The cost of assets retired or sold, together with the related accumulated depreciation, is removed from the accounts, and any gain or loss is included in operations in the year of disposal.

9. Refundable Advances

The Center received monies from grants that have not met the criteria for revenue recognition. Accordingly, these funds are presented as current liabilities and approximated \$7,000 and \$502,000 for the years ended March 31, 2017 and 2016, respectively.

10. Donated Materials and Services

The Center receives donated services from an agency that provides substance abuse treatment services to certain patients of the Center. The fair value of such services was approximately \$106,000 and \$86,000 for the years ended March 31, 2017 and 2016, respectively.

Additionally, in-kind contributions include the use of donated facilities at an estimated fair value of approximately \$153,000 and \$207,000 for the years ended March 31, 2017 and 2016, respectively. Donated materials are valued at their estimated fair value at the time of donation.

11. Income Taxes

The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Center is a not-for-profit Florida corporation and therefore is not subject to state income taxes. Management is not aware of any activities that would jeopardize the Center's tax exempt status. The Center is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax years after March 31, 2013 remain subject to examination by taxing authorities.

12. Functional Allocation of Expenses

The costs of providing the Center's various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited as shown in the statement of functional expenses.

Tampa Family Health Centers, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2017 and 2016

NOTE B - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31,:

	<u>2017</u>	<u>2016</u>
Land and improvements	\$ 11,333,379	\$ 11,134,462
Buildings and improvements	34,214,313	34,186,600
Furniture and equipment	3,854,196	3,805,007
Vehicles	<u>870,016</u>	<u>812,202</u>
	50,271,904	49,938,271
Less accumulated depreciation	<u>(13,877,135)</u>	<u>(11,889,651)</u>
	36,394,769	38,048,620
Construction in progress	<u>317,574</u>	<u>74,594</u>
	<u>\$ 36,712,343</u>	<u>\$ 38,123,214</u>

The Florida Department of Health has a lien of approximately \$1.9 million on one of the Center's clinic locations, which is included in buildings and improvements. The lien stipulates that the clinic must operate as a primary healthcare center through 2017. It also has a lien of approximately \$1.8 million on another site. This lien will expire in 2018.

Significant buildings, improvements, furnishings and equipment at March 31, 2017 have a Notice of Federal Interest recorded in Hillsborough County, Florida. The Notice is designated to notify any prospective buyer or creditor that the Federal Government has a financial interest in the real property acquired with certain federal grants

NOTE C - NET PATIENT SERVICE REVENUE

1. Revenue Sources

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- Medicare - Outpatient services rendered to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Center and audits thereof by the Medicare fiscal intermediary. The Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through March 31, 2016.
- Medicaid - Outpatient services rendered to Medicaid program beneficiaries are paid on a prospective payment basis. Payment rates are determined by governmental agencies and are adjusted annually.

Tampa Family Health Centers, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2017 and 2016

NOTE C - NET PATIENT SERVICE REVENUE - Continued

- Public Assistance - The Center provides primary care services to Hillsborough County residents who qualify under the Local Indigent Care Plan named Hillsborough County Health Care Plan. The Center is reimbursed by the County based on contractually negotiated rates.

The Center's net patient service revenue consisted of the following at March 31,:

	<u>2017</u>	<u>2016</u>
Hillsborough County - Primary Care	\$ 6,288,549	\$ 6,047,451
Medicaid	32,559,710	25,693,200
Medicare	4,092,993	3,816,658
Patient	20,509,773	17,416,124
Other third party payors	<u>6,221,516</u>	<u>5,440,986</u>
	69,672,541	58,414,419
Less third-party payor and other contractual adjustments	<u>(27,151,527)</u>	<u>(21,176,609)</u>
Net patient service revenue	<u>\$ 42,521,014</u>	<u>\$ 37,237,810</u>

Patient accounts receivable include an allowance for uncollectible amounts of approximately \$1,750,000 and \$2,450,000 at March 31, 2017 and 2016, respectively.

2. Accrued Expenses

Since January 2013, federal law increased Medicaid rates for primary care services. However, in January 2016, Medicaid and Medicare managed health plans have purported that this Primary Care Rate Increase (PCRI) is not eligible to Federally Qualified Health Centers. Accordingly, certain managed health plans have requested a refund of the PCRI for the effected period. As of July 24, 2017, a legal determination has not been made regarding the outcome of the rate increase. The Center has conservatively accrued certain amounts relating to a potential refund. However, management believes the full amount of the accrual may not be repaid.

Tampa Family Health Centers, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2017 and 2016

NOTE D - CHARITY CARE

As a part of the Center's mission, it provides charity care to patients who are financially unable to pay for the health care services they receive. The Center's policy is to utilize a sliding fee scale, where based on the patient's income in relation to federal poverty guidelines, the Center charges the patient from 0%-75% of the normal cost for services rendered. Accordingly, the Center does not report these amounts in net operating revenues nor in the allowance for doubtful accounts. The Center determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries, wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of serving charity care patients for the years ended March 31, 2017 and 2016 approximated \$8.7 million and \$8.9 million, respectively. The Center received funds from Low Income Pool Medicaid assistance and grants to help cover the costs of overall operations, including the charity care component, for the years ended March 31, 2017 and 2016 that approximated \$7.3 million and \$7.7 million, respectively.

NOTE E - INVESTMENT

At March 31, 2015, the Center had an equity interest of 4.29% of a Provider Service Network ("PSN") with a cost basis of \$819,774. In October of 2015, the Center sold its entire interest in the PSN for \$5,005,465. A gain on the sale of \$4,185,691 was recognized. The Board has designated these funds for future expansion of patient services.

During the year ended March 31, 2014, the Center purchased an interest in an Accountable Care Organization ("ACO") for a 13.06% equity interest with a cost basis of \$500,000. No ACO transactions occurred during the years ended March 31, 2017 and 2016.

See Note J - Fair Value Measurements. Management has deemed these carrying values not to be impaired.

NOTE F - NOTE PAYABLE

The Center has a \$5 million revolving line of credit with a financial institution at March 31, 2017 and 2016 which is collateralized by all business assets of the organization with interest at LIBOR plus 2.2%, and is due upon demand. The note was not drawn on at March 31, 2017 and 2016, respectively.

NOTE G - PENSION PLAN

The Center has a defined contribution pension plan covering substantially all of its employees, subject to a minimum service requirement. Pension contribution expense was approximately \$533,000 and \$512,000 for the fiscal years ended March 31, 2017 and 2016, respectively.

Tampa Family Health Centers, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2017 and 2016

NOTE H - CONCENTRATION OF CREDIT RISK

The Center derives a significant portion of its patient service revenue from federal grants, Medicaid, the Hillsborough County Healthcare Plan and various health maintenance organizations. A significant reduction in the level of this support, if this were to occur, may have an effect on the Center's activities.

The Center's total unrestricted public support and revenue consisted of the following approximate percentages for the year ended March 31,:

	<u>2017</u>	<u>2016</u>
Hillsborough County - Primary Care	9%	10%
Federal grants	13%	14%
State grants	4%	4%
Local grants	1%	1%
Medicaid	44%	42%
Medicare	5%	5%
Patient	10%	9%
HMOs and others	6%	5%
Donations and in-kind support	2%	2%
Other income	6%	8%
	<u>100%</u>	<u>100%</u>

The Center had cash and cash equivalents in excess of federally insured limits approximating \$21,984,000 and \$17,352,000 on March 31, 2017 and 2016, respectively.



Tampa Family Health Centers, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2017 and 2016

NOTE I - GRANT MATCHING REQUIREMENTS

The Center received funding from the State of Florida Department of Health for the expansion of primary care services under contracts during the years ended March 31, 2017 and 2016 as follows:

<u>For the year ended March 31, 2017</u>		
<u>Contract Number</u>	<u>State Portion</u>	<u>Local Match</u>
AHCA OB/GYN Expansion Grant	\$ -	\$ 178,138
HB351	\$ 69,439	\$ -
HB353 - Renewal #1	\$ 16,298	\$ -
HB361	\$ 243,403	\$ -

<u>For the year ended March 31, 2016</u>		
<u>Contract Number</u>	<u>State Portion</u>	<u>Local Match</u>
Expanding Access to Primary Care	\$ 29,066	\$ 29,066
AHCA OB/GYN Expansion Grant	\$ -	\$ 161,223
HB341	\$ 63,492	\$ -
HB351	\$ 241,938	\$ -
HB344	\$ 6,227	\$ -
HB353	\$ 20,840	\$ -

The grants contain matching provisions that were met with local government funding (financial assistance) as required in the grant agreements.

NOTE J - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board ASC 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

Tampa Family Health Centers, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2017 and 2016

NOTE J - FAIR VALUE MEASUREMENTS - Continued

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for that asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means;
- If the asset or liability has a specified (contractual) term, the input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value at March 31, 2017 and 2016:

*Investment in Accountable Care Organization ("ACO"):* The ACO does not trade on an active market nor do any similar organizations. With no meaningful basis to value the investment, management has recorded it at historic cost and considers this to be a Level 3 measurement of value.

This methodology is consistent with the cost approach.

The method described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while 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.

Tampa Family Health Centers, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2017 and 2016

NOTE J - FAIR VALUE MEASUREMENTS - Continued

The following table sets forth by level, within the fair value hierarchy, the Center's assets and liabilities measured at fair value on a recurring basis at:

	March 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Investment in ACO	\$ -	\$ -	\$ 500,000	\$ 500,000
Total	\$ -	\$ -	\$ 500,000	\$ 500,000

	March 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Investment in ACO	\$ -	\$ -	\$ 500,000	\$ 500,000
Total	\$ -	\$ -	\$ 500,000	\$ 500,000

Assets and liabilities in all levels could result in volatile and material price fluctuations. Realized and unrealized gains and losses on Level 3 assets represent only a portion of the risk to market fluctuations in the statement of financial position.

The following table illustrates a rollforward of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended March 31, 2017 and 2016:

	Investment in PSN and ACO
Balance March 31, 2015	\$ 1,319,774
Total gains (losses) realized and unrealized	-
Purchases and issuances	-
Sales and settlements	(819,774)
Transfers in/out of Level 3, net	-
Balance March 31, 2016	500,000
Total gains (losses) realized and unrealized	-
Purchases and issuances	-
Sales and settlements	-
Transfers in/out of Level 3, net	-
Balance March 31, 2017	\$ 500,000

NOTE K - SUBSEQUENT EVENTS

The Center has evaluated events and transactions occurring subsequent to March 31, 2017 as of July 24, 2017, which is the date the financial statements were available to be issued.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE

TAMPA FAMILY HEALTH CENTERS, INC.

March 31, 2017

Tampa Family Health Centers, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE

For the year ended March 31, 2017

Federal Program or State Project Title	Federal CFDA # or State CFSA #	Contract Number Pass-through Entity Identification Number	Passed- Through to Subrecipients	Expenditures
<b>Federal Programs</b>				
U.S. Department of Health and Human Services -				
<i>Direct Programs</i>				
<i>Health Centers Cluster</i>				
Bureau of Primary Health Care				
Community Health Centers				
Affordable Care Act Grants for New and Expanded Services Under the Health Center Program	93.527	6 H80CS00407-14-18	-	\$ 5,158,071
Consolidated Health Centers	93.224	6 H80CS00407-14-18	-	<u>1,765,929</u>
Subtotal direct programs U.S. Department of Health and Human Services				<u>6,924,000</u>
Total Health Centers Cluster				<u>6,924,000</u>
U.S. Department of Health and Human Services -				
<i>Indirect Programs</i>				
Pass-through Florida Department of Health				
Medical Assistance Program (Medicaid)	93.778	Expansion Grant	-	238,931
Medical Assistance Program (Medicaid)	93.778	Expansion Grant	-	<u>4,360</u>
Subtotal Medical Assistance Program				<u>243,291</u>
Family Planning Services	93.217	HB351	-	32,981
Family Planning Services	93.217	HB361	-	<u>115,607</u>
Subtotal Family Planning Services				<u>148,588</u>
HIV Prevention Activities	93.940	HB327R1	-	<u>39,610</u>
Subtotal HIV Prevention Activities				<u>39,610</u>
Smiles 4 U	93.994	HB353	-	<u>54,086</u>
Subtotal Smiles 4 U				<u>54,086</u>
Pass-through University of South Florida				
Geriatrics Workforce Enhancement Program			-	<u>116,217</u>
Subtotal Geriatrics Workforce Enhancement Program	93.969			<u>116,217</u>
Subtotal indirect programs U.S. Department of Health and Human Services				<u>601,792</u>
Total U.S. Department of Health and Human Services				<u>7,525,792</u>
Total expenditures of federal awards				<u>7,525,792</u>
<b>State Projects</b>				
Pass-through Florida Department of Health				
Primary Care - Tampa Family Health Centers	68.012	Expansion Grant	-	582,160
Family Planning Services Title X	64.xxx	HB 341	-	69,439
Family Planning Services Title X	64.xxx	HB 351	-	243,403
Smiles 4 U	64.xxx	HB353	-	<u>16,298</u>
Total expenditures of state financial assistance				<u>911,300</u>
Total expenditures of federal awards and state financial assistance				<u>\$ 8,437,092</u>

The accompanying notes are an integral part of this schedule.

Tampa Family Health Centers, Inc.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE

March 31, 2017

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal grant activity of Tampa Family Health Centers, Inc. ("the Center") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Chapter 10.650, *Rules of the Florida Auditor General*.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule of Expenditures of Federal Awards and State Financial Assistance 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 to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CONTINGENCIES

These federal programs and state projects are subject to financial and compliance audits by grantor agencies which, if instances of material noncompliance are found, may result in disallowed expenditures and affect the Center's continued participation in specific programs. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the Center expects such amounts, if any, to be immaterial.

NOTE D - SUBRECIPIENTS

The Center did not provide federal awards to subrecipients.

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*

TAMPA FAMILY HEALTH CENTERS, INC.

March 31, 2017



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**RIVERO, GORDIMER & COMPANY, P.A.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Member  
American Institute of Certified Public Accountants  
Florida Institute of Certified Public Accountants

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Cesar J. Rivero, in Memoriam (1942-2017)	

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

Board of Directors  
Tampa Family Health Centers, 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 Tampa Family Health Centers, Inc. (the "Center"), which comprise the statement of financial position as of March 31, 2017, and the related statements of operations and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 24, 2017.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

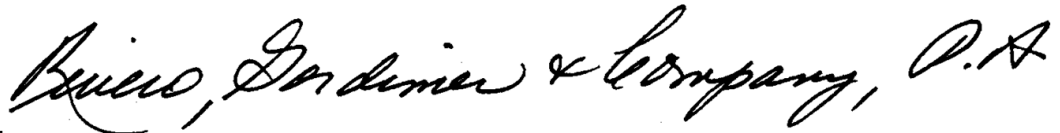


## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Buco, Gardner & Company, P.A." The signature is written in black ink and is positioned above the typed text of the firm's name and location.

Tampa, Florida  
July 24, 2017

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

TAMPA FAMILY HEALTH CENTERS, INC.

March 31, 2017



**RIVERO, GORDIMER & COMPANY, P.A.**  
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
 FOR EACH MAJOR PROGRAM AND STATE PROJECT  
 AND ON INTERNAL CONTROL OVER COMPLIANCE  
 REQUIRED BY THE UNIFORM GUIDANCE AND  
 CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

Board of Directors  
 Tampa Family Health Centers, Inc.

**Report on Compliance for Each Major Federal Program and State Project**

We have audited Tampa Family Health Centers, Inc.'s (the "Center") 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 the Center's major federal programs and state projects for the year ended March 31, 2017. The Center's major federal programs and state projects 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 and state statutes, regulations, and the terms and conditions of its federal awards and state financial assistance applicable to its federal programs and state projects.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs and 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General*. Those standards and Uniform Guidance and Chapter 10.650 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 state project occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## **Opinion on Each Major Federal Program and State Project**

In our opinion, Tampa Family Health Centers, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended March 31, 2017.

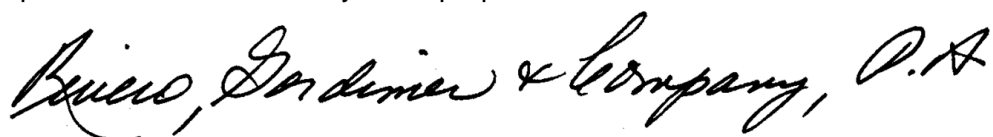
## **Report on Internal Control Over Compliance**

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 and 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 state project and to test and report on internal control over compliance in accordance with Uniform Guidance and Chapter 10.650, *Rules 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 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



Tampa, Florida  
July 24, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL PROGRAMS AND STATE PROJECTS

TAMPA FAMILY HEALTH CENTERS, INC.

March 31, 2017

Tampa Family Health Centers, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL PROGRAMS AND STATE PROJECTS

For the year ended March 31, 2017

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued Unmodified

Internal control over financial reporting  
Material weakness(es) identified?      yes   X   no

Significant deficiency(ies) identified?      yes   X   none reported

Noncompliance material to financial statements noted?      yes   X   no

**Federal Awards and State Financial Assistance**

Internal control over major federal programs and state projects  
Material weakness(es) identified?      yes   X   no

Significant deficiency(ies) identified?      yes   X   none reported

Type of auditors' report issued on compliance for  
major federal programs and state projects? Unmodified

Any audit findings disclosed that are required to be  
reported in accordance with 2 CFR 200.516(a)  
and Chapter 10.650, *Rules of the Auditor General*      yes   X   no

Identification of major federal programs and state projects:

**Federal Programs**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.224	U.S. Department of Health and Human Services Health Centers Cluster
93.527	Consolidated Health Centers Affordable Care Act Grants for New and Expanded Services under the Health Centers Program
93.778	Medical Assistance Program (Medicaid)

Tampa Family Health Centers, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL PROGRAMS AND STATE PROJECTS - CONTINUED

For the year ended March 31, 2017

**Section I - Summary of Auditors' Results - Continued**

**State Projects**

<u>CFSA Number</u>	<u>Name of State Project</u>
68.012	Community Primary Care Services
Dollar threshold used to distinguish between type A and type B Federal programs	<u>\$ 750,000</u>
Dollar threshold used to distinguish between type A and type B State projects	<u>\$ 273,390</u>
Auditee qualified as low-risk auditee?	<u>X</u> yes <u>    </u> no

**Section II - Financial Statement Findings**

No matters were reported for the year ended March 31, 2017

**Section III - Federal Award and State Financial Assistance Findings and Questioned Costs**

No matters were reported for the year ended March 31, 2017

A summary schedule of prior year audit findings is not presented because there were no  
prior year audit findings

MANAGEMENT LETTER PURSUANT TO  
SECTIONS 215.97(9)(F) AND 215.97(10)(D)  
OF THE FLORIDA STATUTES

TAMPA FAMILY HEALTH CENTERS, INC.

March 31, 2017





Member  
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Florida Institute of Certified Public Accountants

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MANAGEMENT LETTER PURSUANT TO  
SECTIONS 215.97(9)(F) AND 215.97(10)(D)  
OF THE FLORIDA STATUTES

Board of Directors  
Tampa Family Health Centers, Inc.

**Report on the Financial Statements**

We have audited the financial statements of Tampa Family Health Centers, Inc. as of and for the fiscal year ended March 31, 2017, and have issued our report thereon dated July 24, 2017.

**Auditor’s Responsibility**

We conducted our audit 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, Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, and Chapter 10.650, *Rules of the Auditor General*.

**Other Reports and Schedule**

We have issued our Independent Auditors’ Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors’ Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance Required by The Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated July 24, 2017.

**Other Matter**

Section 10.654(1)(e), *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Tampa, Florida  
July 24, 2017