

**FLORIDA ASSOCIATION OF
COMMUNITY HEALTH CENTERS, INC.**

FINANCIAL STATEMENTS

MARCH 31, 2019

FLORIDA ASSOCIATION OF COMMUNITY HEALTH CENTERS, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Florida Association of Community Health Centers, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Association of Community Health Centers, Inc., which comprise the statement of financial position as of March 31, 2019, and the related statements of activities, functional expense, 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. 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 auditors' 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 statements of financial position of Florida Association of Community Health Centers, Inc. as of March 31, 2019, and the changes in its net assets and cash flows for the year 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 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. 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 Schedule of Expenditures of Federal Awards and State Financial Assistance 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 19, 2019, on our consideration of Florida Association of Community 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 Florida Association of Community Health Centers, Inc.'s internal control over financial reporting and compliance.

James Moore & Co., P.L.

Tallahassee, Florida
July 19, 2019

FLORIDA ASSOCIATION OF COMMUNITY HEALTH CENTERS, INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2019

ASSETS

Current assets	
Cash and cash equivalents	\$ 2,097,278
Accounts receivable	20,289
Prepaid expenses	26,368
Total current assets	2,143,935
 Property and equipment, net	368,231
 Other assets	33,010
 Total assets	\$ 2,545,176

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	\$ 156,418
Deferred revenue	75,075
Total current liabilities	231,493
 Net assets	
Without donor restrictions	
Designated	22,154
Undesignated	2,280,026
Total without donor restrictions	2,302,180
 With donor restrictions	
Purpose restrictions	11,503
 Total net assets	2,313,683
 Total Liabilities and Net Assets	\$ 2,545,176

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

FLORIDA ASSOCIATION OF COMMUNITY HEALTH CENTERS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Grants and contracts	\$ 4,412,897	\$ 11,503	\$ 4,424,400
Membership dues	4,791,994	-	4,791,994
Conferences and meetings	424,415	-	424,415
Other income	12,616	-	12,616
Total revenues	<u>9,641,922</u>	<u>11,503</u>	<u>9,653,425</u>
Expenses			
Program expenses	8,581,797	-	8,581,797
Supporting services	762,538	-	762,538
Total expenses	<u>9,344,335</u>	<u>-</u>	<u>9,344,335</u>
Increase in net assets	<u>297,587</u>	<u>11,503</u>	<u>309,090</u>
Net assets, beginning of year	2,004,593	-	2,004,593
Net assets, end of year	<u>\$ 2,302,180</u>	<u>\$ 11,503</u>	<u>\$ 2,313,683</u>

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

FLORIDA ASSOCIATION OF COMMUNITY HEALTH CENTERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2019

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
Salaries and benefits	\$ 864,277	\$ 405,824	\$ 1,270,101
Payroll taxes	49,854	19,541	69,395
Conferences and meetings	206,058	164,274	370,332
Legal, accounting and consulting	169,101	17,000	186,101
Travel	113,669	7,928	121,597
Legislative	-	88,500	88,500
Facility rent and utilities	3,175	15,179	18,354
Communications	18,694	-	18,694
Office supplies	27,298	4,093	31,391
Dues and subscriptions	8,308	8,733	17,041
Miscellaneous	8,048	7,849	15,897
Repairs and maintenance	6,543	-	6,543
Membership appreciation	-	10,950	10,950
Printing	1,341	710	2,051
Equipment rental	5,121	-	5,121
Insurance	4,488	187	4,675
Payments to subrecipients	7,093,332	-	7,093,332
Postage	1,186	14	1,200
Promotion	1,304	30	1,334
Depreciation	-	11,726	11,726
Total expenses	<u>\$ 8,581,797</u>	<u>\$ 762,538</u>	<u>\$ 9,344,335</u>

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

FLORIDA ASSOCIATION OF COMMUNITY HEALTH CENTERS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019

Cash flows from operating activities	
Cash received from grantors, members and others	\$ 9,730,929
Cash paid to employees and vendors	(9,332,442)
Net cash provided by operating activities	398,487
Increase in cash and cash equivalents	398,487
Cash and cash equivalents, beginning of year	1,698,791
Cash and cash equivalents, end of year	\$ 2,097,278
Reconciliation of increase in net assets to net cash provided by operating activities:	
Increase in net assets	\$ 309,090
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	11,726
Decrease in accounts receivable	56,654
Increase in prepaid expenses	(3,986)
Decrease in other assets	4,859
Decrease in accounts payable and accrued expenses	(706)
Increase in deferred revenue	20,850
Total adjustments	89,397
Net cash provided by operating activities	\$ 398,487

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

FLORIDA ASSOCIATION OF COMMUNITY HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

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

The following is a summary of the more significant accounting policies and practices of Florida Association of Community Health Centers, Inc. (the “Association”) which affect significant elements of the accompanying financial statements.

(a) **General**—The Florida Council of Primary Care Centers, Inc., d/b/a the Florida Association of Community Health Centers, Inc., was incorporated as a nonprofit organization in 1981. The Florida Council of Primary Care Centers, Inc. filed articles of amendment to the articles of incorporation on April 11, 2000, which changed its name to the Florida Association of Community Health Centers, Inc. (“the Association”). The general nature and objective of the Association is to develop and promote programs and services that will enhance the quality of healthcare delivery in Florida. The Association accomplishes these objectives through conferences, meetings, and educational programs of Florida member organizations and advocacy of primary care on behalf of the member organizations. The Association is supported primarily through membership dues and various governmental grants.

(b) **Income Taxes**—The Association 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 Association files income tax returns in the U.S. Federal jurisdiction. The Association’s income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

The Association has reviewed and evaluated the relevant technical merits of each of their 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.

(c) **Basis of Accounting**—The Association prepares its financial statements on the accrual basis of accounting, and accordingly revenue is recognized when earned and expenses are recognized when obligations are incurred.

(d) **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.

(e) **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.

(f) **Cash and Cash Equivalents**—For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and short-term investments with original maturities of 90 days or less.

FLORIDA ASSOCIATION OF COMMUNITY HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

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

(g) **Deferred Revenue**—Income from conference registrations and advertising space is deferred and recognized over the periods to which it relates. In addition, the exhibit revenue collected for the annual conference that will be held in July 2019 is also recognized as deferred revenue at March 31, 2019.

(h) **Revenue recognition**—Membership dues are recognized as revenue during the applicable membership period. For fixed-price grant contracts, revenue is recognized when the applicable deliverables have been met. For cost-reimbursement grant contracts, revenue is recognized when the applicable expenses are incurred. Sponsorship revenue is recognized as income in the period that the sponsored meeting is held.

(i) **Property and Equipment**—Property and equipment with a value greater than \$2,500 and an estimated useful life of at least one year is recorded at cost when purchased. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty years.

(j) **Accounts receivable**—Accounts receivable 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.

(k) **Accrued Leave**— The Association may compensate its employees for unused accrued vacation time upon termination 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. Accrued leave is calculated based on the annual cap of each employee.

(l) **Net Assets** - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

(m) **Advertising**—Advertising costs are charged to operations as incurred. For the year ending March 31, 2019, \$1,334 was incurred.

FLORIDA ASSOCIATION OF COMMUNITY HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

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

(n) **Contributions**—All contributions are considered to be available for undesignated use unless specifically designated by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions which increases these net asset classes. However, if a designation is fulfilled in the same time period in which the contribution is received, the entity reports the support as net assets without donor restriction.

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 net assets without donor restriction 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 net assets with donor restrictions. 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 net assets with donor restrictions to net assets without donor restrictions at that time.

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

(a) **Demand Deposits** - The Association maintains demand deposits with one bank. The Association has no policy requiring collateral or other security to support its deposits. Cash deposits with banks are insured up to Federal Deposit Insurance Corporation limits.

(b) **Accounts Receivables** - The Association has no policy requiring collateral or other security to support its receivables.

(3) **Property and Equipment:**

Property and equipment consisted of the following at March 31, 2019:

Land	\$ 49,890
Buildings and improvements	464,777
Furniture and equipment	<u>23,802</u>
	538,469
Less accumulated depreciation	<u>170,238</u>
Total	<u><u>\$ 368,231</u></u>

Depreciation expense for the year ended March 31, 2019 was \$11,726.

FLORIDA ASSOCIATION OF COMMUNITY HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

(4) **Net Assets With Donor Restrictions:**

At March 31, 2019, net assets with donor restrictions include \$11,503 of contributions restricted as to use for hurricane relief.

(5) **Board Designated Net Assets:**

In October 2016, the Board of Directors approved \$100,000 for the Alternative Payment Methodology (“APM”) reserve, for the purpose of covering expenses while working with AHCA on the State Medicaid payment plan. As of March 31, 2019, designated APM reserve net assets totaled \$22,154.

(6) **Operating Lease:**

The Association leases a corporate apartment under the terms of a one-year non-cancellable operating lease that expires in May 2019. The rental expense for the lease totaled \$11,527 for the year ended March 31, 2019.

(7) **Significant Funding Source:**

The Association receives a substantial amount of its funding from the U.S. Department of Health and Human Services and the Florida Department of Health. A significant reduction in the level of this funding, if this were to occur, could have an adverse effect on the Association’s program activities.

(8) **Retirement Plan:**

The Association sponsors a simplified employee pension plan available to all salaried personnel. The employer contribution for all eligible employees for the year ended March 31, 2019, was 7% of covered compensation. The Association also has a 403(b) defined contribution plan, in which all eligible employees may elect to participate. Retirement expense was \$64,453 for the year ended March 31, 2019.

(9) **Contingencies:**

(a) **Grant Programs**—Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government and the State of Florida. 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 Association expects such amounts, if any, to be immaterial.

(10) **Commitments:**

(a) **Conference Hotel**—The Association has entered into a facility use contract with a hotel for their annual member conference in July 2019. In the event the conference is cancelled, the Association will incur \$164,323 in penalties payable to the hotel. There is no indication that the conference will be cancelled.

FLORIDA ASSOCIATION OF COMMUNITY HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

(10) **Commitments:** (Continued)

(b) **Media Services**—The Association has entered into an agreement with a media firm for consulting and media services. The contract term is twelve months and is automatically renewed for additional twelve month terms unless cancelled. In the event the contract is cancelled, the Association is obligated to pay \$17,000 under the current contract. Management does not have plans to cancel the contract at this time.

(11) **Liquidity and Availability:**

Financial assets available for general expenditure, that is, without donor restrictions or internally board designations limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 2,097,278
Grants and other receivables	20,289
Total financial assets	<u>2,117,567</u>
Board-designated reserve fund	(22,154)
Donor Restricted hurricane relief fund	(11,503)
Financial assets available to meet cash needs for general expenditures	<u>\$ 2,083,910</u>

(12) **Subsequent Events:**

The Association has evaluated events and transactions for potential recognition or disclosure in the financial statements through July 19, 2019, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

(13) **Recently Issued Accounting Pronouncements:**

The Association 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 Association'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 Association is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

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 Association is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

FLORIDA ASSOCIATION OF COMMUNITY HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

(13) **Recently Issued Accounting Pronouncements:** (Continued)

In June 2018, the FASB issued Accounting Standards Update 2018-08: Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, to clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations. The new standard is effective for fiscal years beginning after December 15, 2018 and may be adopted early. The Association is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

FLORIDA ASSOCIATION OF COMMUNITY HEALTH CENTERS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED MARCH 31, 2019

<u>Federal Grantor/Pass Through Grantor/ State Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State CFSA Number</u>	<u>Contract Number</u>	<u>Pass-Through to Sub-recipients</u>	<u>Expenditures</u>
FEDERAL AWARDS					
U.S. Department of Health and Human Services					
Technical and Non-Financial Assistance to Health Centers	93.129	-	U58CS06812	\$ -	\$ 1,220,280
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	-	COHM8	-	40,189
Organized Approaches to Increase Colorectal Cancer Screening	93.800	-	COTIH	-	7,498
Total Federal Awards				<u>-</u>	<u>1,267,967</u>
STATE FINANCIAL ASSISTANCE					
State of Florida, Department of Health					
Federally Qualified Health Centers	-	64.144	MOAAD	2,978,073	2,978,073
Total State Assistance				<u>2,978,073</u>	<u>2,978,073</u>
Total Federal Awards and State Financial Assistance				<u>\$ 2,978,073</u>	<u>\$ 4,246,040</u>

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

FLORIDA ASSOCIATION OF COMMUNITY HEALTH CENTERS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
MARCH 31, 2019

(1) **Basis of Presentation:**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) includes the Federal awards and State financial assistance activity of Florida Association of Community Health Centers, Inc. under programs of the federal government for the year ended March 31, 2019 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). Because the Schedule presents only a selected portion of the operations of Florida Association of Community Health Centers, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Florida Association of Community Health Centers, Inc.

(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.

(3) **De Minimis Indirect Cost Rate Election:**

Florida Association of Community Health Centers, Inc. has elected not to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

**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,
Florida Association of Community 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 Florida Association of Community Health Centers, Inc., which comprise the statement of financial position as of March 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 19, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Florida Association of Community Health Centers, Inc.'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 Florida Association of Community Health Centers, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Florida Association of Community Health Centers, Inc.'s internal control.

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 material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

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 Association's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: 2019-001.

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Website: www.jmco.com | Email: info@jmco.com | Member of AGN International with offices in principal cities worldwide

Compliance and Other Matters

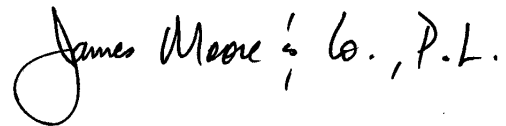
As part of obtaining reasonable assurance about whether Florida Association of Community Health Centers, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with 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*.

Florida Association of Community Health Centers's Response to Findings

Florida Association of Community Health Centers's response to the findings identified in our audit are described in the accompanying corrective action plan. Florida Association of Community Health Centers's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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
July 19, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT 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

To the Board of Directors,
Florida Association of Community Health Centers, Inc.:

Report on Compliance for Each Major Federal Program and State Project

We have audited Florida Association of Community Health Centers, 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 Florida Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on each of Florida Association of Community Health Centers, Inc.'s major federal programs and major state projects for the year ended March 31, 2019. Florida Association of Community Health Centers, Inc.'s major federal programs and major state projects are identified in the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Florida Association of Community Health Centers, Inc. 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 and the Uniform Guidance, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or major state projects occurred. An audit includes examining, on a test basis, evidence about Florida Association of Community Health Centers, 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 Florida Association of Community Health Centers, Inc.'s compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, Florida Association of Community 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, 2019.

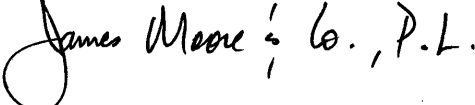
Report on Internal Control Over Compliance

Management of Florida Association of Community Health Centers, Inc. 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 Florida Association of Community Health Centers, Inc.'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 Florida Association of Community Health Centers, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance 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.


James Moore & Co., P.L.

Tallahassee, Florida
July 19, 2019

**FLORIDA ASSOCIATION OF COMMUNITY HEALTH CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2019**

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? yes X no
- Significant deficiency(ies) 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 section 2 CFR200.516(a)? yes X no

Identification of major programs:

Federal Program	Federal CFDA Number
Technical and Non-Financial Assistance to Health Centers	93.129
Dollar threshold used to distinguish between type A and type B program:	\$ 750,000
Auditee qualified as low risk auditee?	<u> </u> yes <u> X </u> no

**FLORIDA ASSOCIATION OF COMMUNITY HEALTH CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2019**

I. Summary of Auditors' Results: (Continued)

State Financial Assistance

Internal control over major projects:

- Material weakness(es) identified? ___yes Xno
- Significant deficiency(ies) identified? ___yes Xnone reported

Type of auditors' report issued on compliance for major state projects:

Unmodified

Any audit findings disclosed that are required to be reported related to state financial assistance projects?

___yes Xno

Identification of major state projects:

State Project	State CSFA Number
Federally Qualified Health Centers	64.144
Dollar threshold used to distinguish between type A and type B state projects:	\$300,000

II. Financial Statement Findings:

Finding 2019-001: Prepare Financial Statements in Accordance with GAAP and Significant Adjustments

Criteria: 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 ("GAAP").

Condition: Adjustments were required to be made to the accounting records subsequent to the start of the audit process to be in accordance with GAAP. Since these adjustments resulted in a material misstatement of the financial statements, this deficiency is deemed to be a material weakness.

Cause: Management relied on auditors to propose entries that had not been recorded at the time of the audit.

Effect: Incorrect recording of accounting records could lead to a material misstatement on the financial statements.

Recommendation: We recommend that the process for identifying accounting transactions be reviewed and updated.

**FLORIDA ASSOCIATION OF COMMUNITY HEALTH CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2019**

- III. Federal Award Findings and Questioned Costs:** None.

- IV. State Financial Assistance Findings and Questioned Costs:** None

- V. Federal Award Summary Schedule of Prior Year Findings:** There were no audit findings for the year ended March 31, 2018.

- VI. State Financial Assistance Summary Schedule of Prior Year Findings:** There were no audit findings for the year ended March 31, 2018.

- VII. Management letter in Accordance with Chapter 10.650, Rules of the State of Florida, Office of the Auditor General:** Nothing to report.

FACHC

THE VOICE OF PRIMARY CARE

Florida Association of Community Health Centers

Florida Association of Community Health Centers, Inc. agrees with the finding and will consider developing a year-end close out schedule to reduce the number of proposed journal entries during the audit.

Dana Schuetz, CFO

7/18/2019