

GREATER PHILADELPHIA HEALTH ACTION, INC.

**INDEPENDENT AUDITOR'S REPORT
AND
AUDITED FINANCIAL STATEMENTS**

FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

**GREATER PHILADELPHIA HEALTH ACTION, INC.
INDEPENDENT AUDITOR'S REPORTS AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015**

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BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Directors
Greater Philadelphia Health Action, Inc.
Philadelphia, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Greater Philadelphia Health Action, Inc. (GPHA), a nonprofit organization, which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows 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 of 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

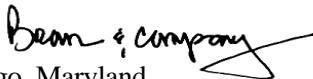
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Philadelphia Health Action, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 April 27, 2017 on our consideration of GPHA'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 GPHA's internal control over financial reporting and compliance.



Largo, Maryland
April 27, 2017

GREATER PHILADELPHIA HEALTH ACTION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash (Note 2)	\$ 7,667,808	\$ 3,542,644
Accounts receivable, Daycare (Note 3)	371,959	374,720
Accounts receivable, net capitation and referrals (Note 4)	13,094,378	10,902,507
Accounts receivable, Wrap around (Note 5)	2,355,340	3,427,856
Accounts receivable, other	1,281,128	1,339,815
Prepaid expenses	177,311	277,405
Pharmacy inventory	312,951	279,686
2015 Bond Proceeds to be Expended	13,239,120	27,682,935
2015 Bond Proceeds unrealized Gain/Loss	(13,251)	(116,135)
2015 Bond Proceeds Accrued Interest	5,621	13,908
Total current assets	38,492,364	47,725,342
Property and equipment, net (Note 2 and Note 6)		
Land	91,891	91,891
Capital leases	529,220	529,220
Capitalized loan costs	4,057,424	4,057,424
Construction in progress	14,368,358	3,160,091
Medical practice purchase	949,631	949,632
Building and improvements	18,690,631	19,675,370
Furniture and equipment	5,075,558	4,487,740
Less accumulated depreciation & amortization	(14,600,653)	(14,384,954)
Total property and equipment, net	29,162,061	18,566,415
Other assets		
Deposits	14,606	14,606
Total assets	<u>\$ 67,669,031</u>	<u>\$ 66,306,362</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,432,156	\$ 1,450,179
Accrued payroll and related expenses	2,264,659	2,021,236
Notes payable	-	-
Capital lease obligations	-	-
Bonds payable (Note 7)	-	-
Total current liabilities	3,696,815	3,471,415
Noncurrent liabilities		
Capital lease obligations	54,533	105,404
Interest rate swap liability (Note 7)		
Notes payable	-	-
Bonds payable (Note 7)	50,850,000	50,850,000
Total liabilities	54,601,348	54,426,818
Net assets		
Unrestricted	13,067,683	11,879,544
Temporarily restricted	-	-
Total net assets	13,067,683	11,879,544
Total liabilities and net assets	<u>\$ 67,669,031</u>	<u>\$ 66,306,362</u>

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

GREATER PHILADELPHIA HEALTH ACTION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Restated Total</u>
Revenue and support:			
Federal grants	\$ -	\$ 5,890,627	\$ 5,890,627
Grants and contracts	-	-	-
Patient services	39,434,843	-	39,434,843
EHR Incentive	255,000	-	255,000
Pharmacy income	4,415,197	-	4,415,197
Rental income	30,110	-	30,110
Interest income	149,702	-	149,702
Other	130,827	-	130,827
Event income	5,685	-	5,685
Daycare fees and support			
Grants and contracts	-	521,564	521,564
Fees	-	83,731	83,731
			-
Net assets released from restrictions	<u>6,495,922</u>	<u>(6,495,922)</u>	<u>-</u>
Total revenue and support	<u>50,917,286</u>	<u>-</u>	<u>50,917,286</u>
Expenses:			
Program services			
Public Health Service	21,656,499	-	21,656,499
DHHS-HIV	444,679	-	444,679
Al-Assist	6,396,673	-	6,396,673
Daycare	1,730,318	-	1,730,318
Dental	3,883,062	-	3,883,062
	<u>34,111,230</u>	<u>-</u>	<u>34,111,230</u>
Management and general	<u>13,831,499</u>	<u>-</u>	<u>13,831,499</u>
Total expenses before other expenses	<u>47,942,730</u>	<u>-</u>	<u>47,942,730</u>
Change in net assets before other expenses	2,974,556	-	2,974,556
Loss on disposal of assets	491,161	-	491,161
Depreciation	1,327,133	-	1,327,133
Other Change in Net Assets			
Unrealized gain/loss 2015 Bond Proceeds	<u>(31,877)</u>	<u>-</u>	<u>(31,877)</u>
Change in net assets	1,188,139	-	1,188,139
Net Assets, December 31, 2015, restated	<u>11,879,544</u>	<u>-</u>	<u>11,879,544</u>
Net Assets, December 31, 2016, restated	<u>\$ 13,067,683</u>	<u>\$ -</u>	<u>\$ 13,067,683</u>

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

GREATER PHILADELPHIA HEALTH ACTION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Restated Total</u>
Revenue and support:			
Federal grants	\$ -	\$ 5,369,319	\$ 5,369,319
Grants and contracts	-	-	-
Patient services	34,719,199	-	34,719,199
EHR Incentive	-	-	-
Pharmacy income	4,434,001	-	4,434,001
Rental income	11,387	-	11,387
Interest income	88,965	-	88,965
Other	178,415	-	178,415
Anniversary income	90,000	-	90,000
Daycare fees and support			
Grants and contracts	-	417,853	417,853
Fees	-	43,006	43,006
Net assets released from restrictions	<u>5,830,178</u>	<u>(5,830,178)</u>	<u>-</u>
Total revenue and support	<u>45,352,145</u>	<u>-</u>	<u>45,352,145</u>
Expenses:			
Program services			
Public Health Service	19,853,975	-	19,853,975
DHHS-HIV	663,350	-	663,350
Al-Assist	5,590,314	-	5,590,314
Daycare	1,480,369	-	1,480,369
Dental	<u>3,119,199</u>	<u>-</u>	<u>3,119,199</u>
	30,707,207	-	30,707,207
Management and general	<u>11,814,827</u>	<u>-</u>	<u>11,814,827</u>
Total expenses before other expenses	<u>42,522,034</u>	<u>-</u>	<u>42,522,034</u>
Change in net assets before other expenses	2,830,111	-	2,830,111
Loss on disposal of assets	157,895	-	157,895
Depreciation	1,225,410	-	1,225,410
Other Change in Net Assets			
Early Retirement of debt Exp	13,465	-	13,465
Unrealized gain/loss 2015 Bond Proceeds	124,748	-	124,748
Unrealized gain on interest rate swap	<u>(17,496)</u>	<u>-</u>	<u>(17,496)</u>
Change in net assets	1,326,089	-	1,326,089
Net Assets, December 31, 2014, restated	<u>10,553,455</u>	<u>-</u>	<u>10,553,455</u>
Net Assets, December 31, 2015, restated	<u>\$ 11,879,544</u>	<u>\$ -</u>	<u>\$ 11,879,544</u>

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

GREATER PHILADELPHIA HEALTH ACTION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services					TOTAL	Management & General	TOTAL 2016
	A	B	C	D	E			
Salaries & wages	\$ 10,515,213	\$ 332,485	\$ 3,671,530	\$ 1,105,057	\$ 2,587,506	\$ 18,211,791	\$ 5,691,252	\$ 23,903,043
Fringe benefits	2,019,954	80,561	675,345	209,966	476,778	3,462,604	1,150,180	4,612,784
Professional fees	30,081	-	32	-	-	30,113	172,743	202,855
Consultant & contractual	2,877,426	28,686	170,761	37,400	52,442	3,166,715	56,332	3,223,048
Temporary office services	418,741	-	531,906	-	4,237	954,884	375,047	1,329,930
Security & transportation	30,359	-	37,762	3,832	3,943	75,894	4,575	80,469
Translation Services	115,374	-	51,844	-	141	167,359	1,918	169,278
Laboratory fees	246,428	-	4,502	-	262,995	513,924	200	514,124
Referral costs	60,359	-	-	-	-	60,359	-	60,359
Medical Supplies	1,685,544	2,947	5,757	4,871	15,631	1,714,751	7,418	1,722,170
Dental Supplies	240	-	-	-	217,139	217,379	-	217,379
Office Supplies	173,460	-	39,785	84,051	11,150	308,444	312,955	621,399
Recruitment	-	-	-	53	-	53	12,532	12,585
Marketing expense	10,632	-	-	-	-	10,632	147,174	157,806
Insurance & bonding	2,582	-	1,084	14,209	-	17,875	707,804	725,678
Data processing	124,160	-	27,640	1,791	8,745	162,336	1,545,910	1,708,246
Space rental	533,165	-	203,329	94,080	70,950	901,524	41,596	943,120
Equipment rental/lease	-	-	-	1,138	612	1,750	381,745	383,495
Repair & maintenance	206,860	-	18,914	25,309	61,319	312,401	43,814	356,216
Cleaning	750,270	-	84,615	78,961	55,384	969,230	88,818	1,058,048
Utilities	271,025	-	68,632	26,773	28,733	395,163	88,394	483,557
Telephone	171,300	-	27,497	11,447	14,508	224,751	244,381	469,132
Travel, conferences/meetings	37,270	-	8,788	16,522	3,305	65,884	119,472	185,357
Taxes & licenses	37,006	-	9,926	2,278	2,452	51,663	45,158	96,821
Subscription & dues	12,834	-	4,799	2,583	3,342	23,559	41,170	64,728
Interest & bank charges	14,452	-	1,893	1,156	805	18,306	2,521,426	2,539,732
Noncapitalized equip./furniture	7,881	-	-	-	-	7,881	-	7,881
Bad Debt Expense	1,293,999	-	746,001	-	-	2,040,000	-	2,040,000
Miscellaneous	9,885	-	3,082	8,843	946	22,756	19,490	42,246
Anniversary	-	-	-	-	-	-	-	-
Event Expense	-	-	1,250	-	-	1,250	9,994	11,244
Total	\$ 21,656,499	\$ 444,679	\$ 6,396,673	\$ 1,730,318	\$ 3,883,062	\$ 34,111,230	\$ 13,831,499	\$ 47,942,730
Management and General Allocation	\$ 10,157,852	\$ 567,092	\$ 1,589,240	\$ 681,893	\$ 835,422	\$ 13,831,499	\$ (13,831,499)	\$ -
Total before depreciation	\$ 31,814,351	\$ 1,011,771	\$ 7,985,913	\$ 2,412,211	\$ 4,718,484	\$ 47,942,729	\$ -	\$ -
Depreciation expense	632,071	-	149,410	19,372	135,839	936,691	390,442	1,327,133
Early Retirement of Debt	-	-	-	-	-	-	-	-
Unrealized gain/loss 2015 bond proceeds	-	-	-	-	-	-	(31,877)	(31,877)
Unrealized gain/loss int. rate swap	-	-	-	-	-	-	-	-
Loss on Disposal of Assets	3,802	-	-	-	401	4,203	486,958	491,161
Total Expense	\$ 32,450,223	\$ 1,011,771	\$ 8,135,323	\$ 2,431,582	\$ 4,854,724	\$ 48,883,623	\$ 845,522	\$ 49,729,146
A	Public Health Service							
B	DHHS-HIV							
C	AI-Assist							
D	Daycare							
E	Dental							

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

GREATER PHILADELPHIA HEALTH ACTION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services					TOTAL	Management & General	TOTAL 2015
	A	B	C	D	E			
Salaries & wages	\$ 9,616,862	\$ 494,425	\$ 3,352,525	\$ 933,311	\$ 2,064,460	\$ 16,461,583	\$ 4,707,635	\$ 21,169,218
Fringe benefits	1,887,780	119,802	647,827	226,526	394,492	3,276,426	978,773	4,255,199
Professional fees	-	-	-	-	-	-	273,283	273,283
Consultant & contractual	2,857,308	44,726	61,065	30,000	22,072	3,015,171	143,249	3,158,420
Temporary office services	183,975	-	278,122	831	20,109	483,038	341,069	824,107
Security & transportation	31,187	-	33,457	4,424	1,879	70,946	5,868	76,814
Translation Services	201,086	-	34,833	-	2,316	238,235	250	238,485
Laboratory fees	345,761	-	568	-	20,996	367,325	-	367,325
Referral costs	60,000	-	-	-	-	60,000	-	60,000
Medical Supplies	1,422,854	4,397	9,134	2,624	10,140	1,449,149	16,082	1,465,231
Dental Supplies	557	-	-	-	350,715	351,272	-	351,272
Office Supplies	109,930	-	19,136	30,713	8,758	168,538	274,365	442,903
Recruitment	-	-	-	-	-	-	7,729	7,729
Marketing expense	1,500	-	-	-	-	1,500	59,605	61,105
Insurance & bonding	1,788	-	1,563	13,868	-	17,219	614,335	631,554
Data processing	14,878	-	17,622	-	2,174	34,673	1,508,065	1,542,738
Space rental	494,816	-	199,590	94,080	70,400	858,886	11,175	870,061
Equipment rental/lease	494	-	113	1,511	-	2,119	552,182	554,300
Repair & maintenance	143,740	-	18,114	20,303	42,407	224,564	36,840	261,404
Cleaning	671,467	-	79,957	78,428	58,980	888,833	64,507	953,340
Utilities	315,740	-	68,387	24,509	25,857	434,493	79,373	513,866
Telephone	114,350	-	17,031	6,175	7,488	145,044	439,881	584,924
Travel, conferences/meetings	24,463	-	4,994	6,047	6,271	41,775	171,128	212,903
Taxes & licenses	19,264	-	10,336	2,222	2,143	33,964	25,102	59,066
Subscription & dues	4,981	-	580	2,106	4,566	12,233	48,569	60,802
Interest & bank charges	15,232	-	1,300	2,034	1,804	20,370	1,383,986	1,404,357
Noncapitalized equip./furniture	4,227	-	-	-	600	4,827	-	4,827
Bad Debt Expense	1,306,948	-	733,052	-	-	2,040,000	-	2,040,000
Miscellaneous	2,787	-	1,009	655	572	5,023	30,576	35,600
Anniversary	-	-	-	-	-	-	41,199	41,199
Event Expense	-	-	-	-	-	-	-	-
Total	\$19,853,975	\$ 663,350	\$ 5,590,314	\$ 1,480,369	\$ 3,119,199	\$30,707,207	\$11,814,827	\$42,522,034
Management and General Allocation	\$ 8,676,809	\$ 484,407	\$ 1,357,524	\$ 582,471	\$ 713,616	\$ 11,814,827	\$ (11,814,827)	\$ -
Total before depreciation	\$ 28,530,784	\$ 1,147,757	\$ 6,947,838	\$ 2,062,840	\$ 3,832,815	\$ 42,522,034	\$ -	\$ 42,522,034
Depreciation expense	619,565	-	168,517	16,610	116,139	920,831	304,579	1,225,410
Early Retirement of Debt	-	-	-	-	-	-	13,465	13,465
Unrealized gain/loss 2015 bond proceeds	-	-	-	-	-	-	124,748	124,748
Unrealized gain/loss int. rate swap	-	-	-	-	-	-	(17,496)	(17,496)
Loss on Disposal of Assets	-	-	-	-	-	-	157,895	157,895
Total Expense	\$29,150,349	\$ 1,147,757	\$ 7,116,355	\$ 2,079,450	\$ 3,948,954	\$43,442,865	\$ 583,191	\$44,026,056

A Public Health Service
B DHHS-HIV
C AI-Assist
D Daycare
E Dental

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

GREATER PHILADELPHIA HEALTH ACTION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,188,139	\$ 1,326,089
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,327,133	1,225,410
Loss on disposal of assets	491,161	157,895
Decrease (increase) in accounts receivable, Daycare	2,761	(45,425)
Decrease (increase) in accounts receivable, capitation and referrals	(2,191,871)	(697,080)
Decrease (increase) in accounts receivable, Wrap around	1,072,516	(68,580)
Decrease (increase) in accounts receivable, other	58,687	(399,815)
Decrease (increase) in prepaid expenses	100,094	168,523
Decrease (increase) in pharmacy inventory	(33,265)	(115,897)
Decrease (increase) in other assets	-	-
Decrease (increase) in book overdraft	-	-
Increase (decrease) in accounts payable and accrued liabilities	(18,023)	(583,636)
Increase (decrease) in accrued payroll and related expenses	243,424	(581,612)
Net cash provided by operating activities	<u>2,240,757</u>	<u>385,873</u>
Cash flows from investing activities:		
Investment from bond proceeds	14,349,218	(27,580,708)
Proceeds from the sale of equipment	24,472	-
Purchase of property and equipment	(12,438,412)	(9,347,991)
Net cash (used in) by investing activities	<u>1,935,278</u>	<u>(36,928,699)</u>
Cash flows from financing activities:		
Increase (decrease) in notes payable	-	(2,757,043)
Increase(decrease) in capital lease obligation	(50,871)	(53,168)
Change in the fair value of interest rate swap	-	(617,816)
Increase (decrease) in bond payable	-	43,400,000
Net cash provided by (used in) financing activities	<u>(50,871)</u>	<u>39,971,973</u>
Net increase (decrease) in cash	<u>4,125,164</u>	<u>3,429,147</u>
Cash, beginning of the year	<u>3,542,644</u>	<u>113,497</u>
Cash, end of the year	<u>\$ 7,667,808</u>	<u>\$ 3,542,644</u>
Supplemental data:		
Interest paid	<u>\$ 2,418,501</u>	<u>\$ 1,282,356</u>

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

GREATER PHILADELPHIA HEALTH ACTION, INC.

Notes to Financial Statements

December 31, 2016 and 2015

Note 1 *Organization*

Greater Philadelphia Health Action, Inc. (GPHA) was incorporated in the Commonwealth of Pennsylvania on July 20, 1970, as a non-profit, non-stock corporation dedicated to the purpose of carrying out the delivery of primary health care services to the city of Philadelphia and surrounding areas. GPHA now provides comprehensive primary medical, dental, behavioral health and child development services through a network of health facilities located throughout Philadelphia. As a federally qualified health center, its public health service program provides comprehensive health care to mostly the low income population on a sliding fee scale based on the ability to pay. The HIV program provides health care services to patients with HIV. Daycare and youth services for children and families are designed to provide services that are enriching and stimulating in a safe environment for children ages six weeks to 14 years. The pre-school classrooms are part of the school district of Philadelphia's Head Start Program.

Note 2 *Summary of Significant Accounting Policies*

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Consequently, revenue is recognized when earned and expenses are recognized when incurred.

Cash

Cash, as presented in the statements of cash flows, consists of amounts on hand and in Santander Bank and Bank of America accounts.

Accounting Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Functional Allocation of Expenses

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

GREATER PHILADELPHIA HEALTH ACTION, INC.

Notes to Financial Statements

December 31, 2016 and 2015

Note 2 *Summary of Significant Accounting Policies (Continued)*

Classification of Net Assets

The net assets of the organization are reported as followed:

Unrestricted Net Assets—represents the portion of expendable funds that are available for general support of the organization.

Temporarily Restricted Net Assets—Represents assets that are temporarily restricted from use in the operation of GPHA, until all applicable grantor or donor restrictions have been met.

Revenue Recognition

GPHA receives funds from the United States Department of Health and Human Services (DHHS). In accordance with DHHS policies, all funds disbursed must be in compliance with the specific terms of the grant agreement. DHHS may, at its discretion, request reimbursement for expenses or return of unexpended funds, or both, as a result of noncompliance by the corporation with the terms of the grant. In addition, if the corporation terminated its DHHS grant activities, all unexpended funds must be returned to the DHHS. All amounts advanced to GPHA through periodic drawdowns from DHHS grant awards are reported as grant income during the operating year of the grantee, based on a calendar year.

Patient service fees are recognized at the time the service is provided. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Support received with donor-imposed restrictions for either purpose or time is recorded as temporarily restricted revenue. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions.

Pharmacy Inventory

Pharmacy inventory is recorded at the lower of cost or market value using the first in first out (FIFO) inventory method.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets ranging from five to thirty years. The cost of leasehold improvements is amortized on a straight-line basis over the term of the lease or the useful lives of the assets whichever is shorter. Construction in progress includes consultants, legal and other costs for projects under development. Depreciation is not

GREATER PHILADELPHIA HEALTH ACTION, INC.

Notes to Financial Statements

December 31, 2016 and 2015

Note 2 ***Summary of Significant Accounting Policies (Continued)***

recorded on the construction in progress until the project is complete and ready for use. GPHA purchased two medical practices, one in 2006 and the other in 2007. The medical practices are included in property and equipment and are amortized on a straight-line basis over 25 years. A summary of property and equipment is contained in Note 6.

Repairs and maintenance are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts and any gain or loss is recorded. GPHA capitalizes all fixed assets greater than \$2,000. Property and certain equipment items acquired with federal government funds are considered to be owned by GPHA while used in the program or in future authorized programs. However, the federal government retains a reversionary interest in these assets as well as the right to determine the use of any proceeds from sale or disposal. Accordingly, GPHA may not transfer, mortgage, assign, lease, or in any other manner encumber these restricted items without prior approval of the federal government.

Fair Value

Management follows the accounting standards pertaining to *Fair Value Measurements* for qualifying assets and liabilities. These standards define fair value, establish a framework for measuring fair value under U.S. GAAP, and mandate disclosures about fair value measurements. The standards establish a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value. The three levels of the fair value framework are as follows:

- Level 1—Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date. Instruments which are generally included in this category include equity and debt securities publicly traded on an exchange.
- Level 2—Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active. Level 2 also includes investments with notice periods for redemption of ninety days or less.
- Level 3—Inputs that are unobservable and which require significant judgment or estimation. Level 3 also includes investments with notice periods for redemption of more than ninety days.

All qualifying assets or liability's level within the framework are based upon the lowest level of any input that is significant to the fair value measurement. GPHA values all its qualified assets and liabilities using Level 1 inputs, except for the notes and bonds payable which used Level 2 inputs.

GREATER PHILADELPHIA HEALTH ACTION, INC.
Notes to Financial Statements
December 31, 2016 and 2015

Note 2 *Summary of Significant Accounting Policies (Continued)*

Income Taxes

GPHA is a non-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state codes. Management believes all of GPHA's income is related to its exempt purpose. Accordingly, no provision for federal and state income taxes is included in the accompanying financial statements.

Concentration of Credit Risk

At times during the year, the GPHA maintained cash balances at financial institutions in excess of the Federal Deposit Insurance Corporations (FDIC) insurance limitation of \$250,000.

Note 3 *Accounts Receivable, Daycare*

GPHA receives funding from various sources to operate specified programs in accordance with designated regulations. Grant receivables at December 31, 2016 and 2015, represent non-reimbursed services provided. GPHA had grant receivable from Public Health Management Corporation in the amount of \$211,150 on December 31, 2016 and \$ 206,528 on December 31, 2015. Contracts receivable from daycare in the amount of \$160,809 on December 31, 2016 and \$171,192 on December 31, 2015.

Note 4 *Accounts Receivable, Net*

GPHA extends credit to patients, as well as third-party intermediaries responsible for medical services provided to patients. In most cases, the amount collected is less than the amount billed. Therefore, the receivable balance has been reduced to the amount considered collectible. An allowance of gross receivable has been established based upon the organization's bad debt write-off policy. A summary of accounts receivable is presented below:

	<u>2016</u>	<u>2015</u>
Medicare	\$ 1,392,496	\$ 755,192
Medicaid	211,030	174,396
Commercial insurance	<u>14,383,507</u>	<u>11,505,573</u>
	15,987,033	12,435,161
Less: Allowance	<u>(2,892,654)</u>	<u>(1,532,654)</u>
Total	<u><u>\$ 13,094,378</u></u>	<u><u>\$ 10,902,507</u></u>

GREATER PHILADELPHIA HEALTH ACTION, INC.

Notes to Financial Statements

December 31, 2016 and 2015

Note 5 *Accounts Receivable, Medicaid Wrap Around*

According to Section 4712(b) of the federal Balanced Budget Act of 1997 and the federal SCHIP Benefits Improvement and Protection Act (BIPA) of 2000 mandates that Department of Public Welfare (DPW) is required to make supplemental payments to Federally Qualified Health Centers (FQHC) equal to the difference, if any between the amounts paid to FQHC for eligible patients by managed care organizations (MCO) with which the clinic has a contractual relationship, and the amount that the FQHC would have received under the regular prospective payment system (PPS). For the years ended December 31, 2016 and 2015 the total balance in this account was \$2,355,340 and \$3,427,856, respectively.

Note 6 *Property and Equipment*

Major categories of property and equipment are as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 91,891	\$ 91,891
Building and improvement	18,690,631	19,675,370
Furniture and equipment	5,075,558	4,487,740
Construction in progress	14,368,358	3,160,091
Capital leases	529,220	529,220
Capitalized loan costs	4,057,424	4,057,424
Medical practice purchases	949,631	949,632
Less: accumulated depreciation	(14,600,652)	(14,384,954)
Property and equipment, net	<u>\$ 29,162,061</u>	<u>\$ 18,566,415</u>

Depreciation and amortization expense was \$1,327,133 and \$1,225,410 for the years ended December 31, 2016 and 2015, respectively.

Note 7 *Bonds Payable*

In August of 2008, GPHA obtained approval for \$9,720,000 in funds from a tax-exempt bond financing. The proceeds were used to liquidate the 2003 bond debt. The 2003 bond was used to finance a project consisting of the acquisition, renovations, and equipping of three properties, as well as the current refunding of the Authority's 1999 Series of Tax-Exempt Revenue Bonds and costs related to the financing of the project. In June of 2015, GPHA settled on a bond issuance by the Philadelphia Authority for Industrial Development in the amount of \$50,850,000 (\$38,660,000 Series 2015A Bonds-Tax Exempt and \$12,190,000 Series 2015B Bonds-Federally Taxable). The settlement funds were used to pay-off the Bank of America Letter of Credit related to the 2008 bonds, to pay-off the Bank of America swap termination payment, to pay-off the Bank of America term loan and to

GREATER PHILADELPHIA HEALTH ACTION, INC.

Notes to Financial Statements

December 31, 2016 and 2015

Note 7 ***Bonds Payable (Continued)***

pay-off the line of credit with Santander Bank. During bond closing \$8,827,578.15 was set aside to service the bond interest from year 12/1/2015 through 12/1/2017. Future payments required on the bond amortization are as follows:

Calendar year 2017	\$ 3,351,031.26
Calendar year 2018	3,531,031.26
Calendar year 2019	4,011,031.26
Calendar year 2020	4,009,431.26
Calendar year 2021	4,004,631.26
Thereafter	109,550,622.17
Total	<u><u>\$ 128,457,778.47</u></u>

Note 8 ***Pension Plan***

GPHA sponsors a defined contribution pension plan that covers substantially all salaried employees. Contributions to the plan are based on established guidelines and the plan is administered by the Pension Committee of the Corporation. For the years ended December 31, 2016 and 2015, pension expense was \$629,455 and \$582,676, respectively.

Note 9 ***Federal Support Available for Future Periods***

The funding periods of the grants from the Department of Health and Human Services differ from the year-end of GPHA. As a result, a portion of each grant award is available for future utilization. The periods of the Community Health Center grant award is June 1, 2016 through May 31, 2017 and the period of the HIV award is June 1, 2016 through May 31, 2017. The current operating year of GPHA is January 1, 2016 through December 31, 2016.

Note 10 ***Capital Leases***

GPHA leases equipment under several capital leases at a cost of \$529,220. The leases have various expirations ending in 2018. Accumulated depreciation reported in the accompanying statement of financial position included \$514,841 relating to the leased equipment.

GREATER PHILADELPHIA HEALTH ACTION, INC.**Notes to Financial Statements****December 31, 2016 and 2015**

Note 10 *Capital Leases (Continued)*

Future minimum lease payments under the capital lease as of December 31, 2016 are as follows:

Calendar year 2017	\$	49,236
Calendar year 2018		8,206
Total minimum lease payments		<u>57,442</u>
Amount representing interest		<u>(2,909)</u>
Capital lease obligation		54,533
Less: Current portion		<u>(46,412)</u>
Capital Lease, net current portion	\$	<u>8,121</u>

Note 11 *Operating Leases*

GPHA has several operating leases for space, equipment, and automobiles. The leases are scheduled to end at various times, and some are extended annually or every five years.

Future minimum annual commitments under the operating leases are as follows:

Year	Space	Equipment/ Automobiles	Total
2017	\$ 715,141	\$ 52,342	\$ 767,483
2018	467,124	4,105	471,229
2019	466,985		466,985
2020	407,498		407,498
2021	413,616		413,616
	<u>\$ 2,470,364</u>	<u>\$ 56,447</u>	<u>\$ 2,526,811</u>

As of December 31, 2016 and 2015, space rental expense was \$943,120 and \$870,061, respectively.

Note 12 *Subsequent Events*

In preparing the financial statements, GPHA has evaluated events and transactions for potential recognition or disclosure through April 27, 2017, the date the financial statements were available to be issued.

GREATER PHILADELPHIA HEALTH ACTION, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
U.S. Department of Health and Human Services			
Health Care Cluster	93.224	-	\$ 4,789,379
Head Start	93.600	-	656,804
OP Early Intervention Svcs w/Respect to HIV Disease	93.918	-	<u>444,444</u>
Total Expenditures of Federal Awards			<u><u>\$ 5,890,627</u></u>

The accompanying note is an integral part of this schedule.

GREATER PHILADELPHIA HEALTH ACTION, INC.
Note to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Note 1 ***Basis of Presentation***

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Greater Philadelphia Health Action, Inc., a nonprofit organization, and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of the OMB Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Certain costs have been allocated to the federal programs in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and *Cost Principles for Non-Profit Organizations*. The amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.



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

Board of Directors
Greater Philadelphia Health Action, Inc.
Philadelphia, Pennsylvania

We have audited, in accordance with auditing standards general accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Greater Philadelphia Health Action, Inc. (GPHA), a nonprofit organization, which comprise the statement of financial position as of December 31, 2016 and 2015, and related statement of activities, functional expenses, and cash flows for the year then ended, and the notes to the financial statements, and have issued our report thereon dated April 27, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered GPHA'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GPHA's internal control. Accordingly, we do not express an opinion on the effectiveness of GPHA'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 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.

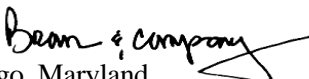
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 GPHA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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.


Largo, Maryland
April 27, 2017



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Greater Philadelphia Health Action, Inc.
Philadelphia, Pennsylvania

Report of Compliance for Each Major Federal Program

We have audited Greater Philadelphia Health Action, Inc.'s (GPHA), a non-profit organization compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of GPHA's major federal programs for the year ended December 31, 2016. GPHA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, GPHA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control over Compliance

Management of GPHA 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 GPHA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose, of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the GPHA'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 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 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Greater Philadelphia Health Action, Inc. (GPHA), a nonprofit organization, as of and for the year ended December 31, 2016 and 2015 and have issued our report thereon dated April 27, 2017, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by the Uniform Guidance 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 is fairly stated in all material respects in relation to the financial statements as a whole.


Largo, Maryland
April 27, 2017

GREATER PHILADELPHIA HEALTH ACTION, INC.

**Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2016**

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
▪ Material weakness (es) identified?	<u> </u> yes	<u> X </u> No
▪ Significant deficiency(s) identified that are not considered to be material weaknesses	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> No

Federal Awards:

Internal control over major programs:		
▪ Material weakness (es) identified?	<u> </u> yes	<u> X </u> No
▪ Significant deficiency(s) identified that are not considered to be material weaknesses	<u> </u> yes	<u> X </u> none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 and OMB Uniform Guidance?

 yes X No

Identification of major programs:
Federal Awards

Health Care Cluster	CFDA# 93.224
Ryan White Part C	
Op Early Intervention Svcs.	
w/Respect to HIV Disease	CFDA# 93.918
Head Start	CFDA# 93.600

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 X yes No

Section II - Financial Statement Findings

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

The results of our tests disclosed no instances of noncompliance with the requirements applicable to each major federal program that is required to be reported in accordance with OMB Uniform Guidance.