

**UNITED NEIGHBORHOOD  
HEALTH SERVICES, INC.  
D/B/A NEIGHBORHOOD  
HEALTH**

*2016*

**UNITED NEIGHBORHOOD HEALTH SERVICES, INC.  
D/B/A NEIGHBORHOOD HEALTH**

**Financial Statements**

**For the Years Ended  
January 31, 2016 and 2015**

UNITED NEIGHBORHOOD HEALTH SERVICES, INC.  
d/b/a  
NEIGHBORHOOD HEALTH

Financial Statements

For the Years Ended January 31, 2016 and 2015

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## INTRODUCTION

### **Background**

United Neighborhood Health Services, Inc. d/b/a Neighborhood Health (the “Center”), operates primary care centers located in the State of Tennessee in the counties of Davidson, Trousdale and Wilson. The Center provides a broad range of primary health care services to a largely medically underserved population.

### **Scope of Audit**

The financial audit of the Center was performed 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 Title 2 U.S. Code of Federal Regulations (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). The audit covered the 12-month period ended January 31, 2016, and fieldwork was performed during the period from April 4, 2016 to April 8, 2016.

The following were the principal objectives of the organization-wide audit:

- The expression of an opinion on the balance sheets as of January 31, 2016 and 2015, and the related statements of operations and change in unrestricted net assets, and cash flows for the years then ended. The statement of functional expenses, which is not considered a basic financial statement, is presented only for the year ended January 31, 2016, and is presented only for the purpose of additional analysis.
- The expression of an opinion on the schedule of expenditures of federal awards for the year ended January 31, 2016;
- The expression of an opinion on the schedule of state financial assistance for the year ended January 31, 2016;
- The assessment of the Center’s internal accounting and administrative control structures;
- The performance of cost validations of transaction costs on a test basis;
- The assessment, on a test basis, of the Center’s compliance with the prescribed U.S. Department of Health and Human Services (“DHHS”) cost principles (45 CFR 74, as amended, subpart Q) for selected functional types of costs; and
- To ascertain whether costs claimed for funding under specific grants are fairly presented in conformity with the terms of the grants and related U.S. Department of Health and Human Services cost principles.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
United Neighborhood Health Services, Inc. d/b/a Neighborhood Health

***Report on the Financial Statements***

We have audited the accompanying financial statements of United Neighborhood Health Services, Inc. d/b/a Neighborhood Health (hereinafter the "Center"), which comprise the balance sheets as of January 31, 2016 and 2015, and the related statements of operations and change in unrestricted net assets 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.

***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.



## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### ***Auditors' Responsibility (Continued)***

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 United Neighborhood Health Services, Inc. d/b/a Neighborhood Health as of January 31, 2016 and 2015, and the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### **Required Supplementary 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 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 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.

#### **Other Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of State Financial Assistance and Statement of Functional Expenses are presented for purposes of additional analysis and are 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.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

*Other Information (continued)*

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 20, 2016, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

April 20, 2016  
Chattanooga, Tennessee



UNITED NEIGHBORHOOD HEALTH SERVICES, INC.  
d/b/a  
NEIGHBORHOOD HEALTH

Balance Sheets

January 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,132,438	\$ 3,800,609
Patient accounts receivable, net (Note 3)	268,041	353,001
Contracts receivable (Note 4)	87,200	240,897
Other receivables	802,453	704,225
Prepaid expenses and other current assets	94,771	81,857
Total current assets	6,384,903	5,180,589
Property and equipment, net (Note 7)	7,327,322	6,804,230
Other assets	5,971	5,971
Total assets	\$ 13,718,196	\$ 11,990,790
 <b>LIABILITIES AND UNRESTRICTED NET ASSETS</b>		
Current liabilities:		
Current maturities of long-term debt (Note 9)	\$ —	\$ 25,520
Accounts payable and accrued expenses	140,248	263,177
Accrued compensation	559,364	486,602
Total current liabilities	699,612	775,299
Deferred revenue	67,424	59,091
Long-term debt, less current maturities (Note 9)	—	242,359
Total liabilities	767,036	1,076,749
Unrestricted net assets:		
Board designated for emergency reserve	1,500,000	1,500,000
Undesignated	11,451,160	9,414,041
Total unrestricted net assets	12,951,160	10,914,041
Total liabilities and unrestricted net assets	\$ 13,718,196	\$ 11,990,790

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

UNITED NEIGHBORHOOD HEALTH SERVICES, INC.  
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Statements of Operations and Change in Unrestricted Net Assets

Years Ended January 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Unrestricted revenue:		
DHHS grants (Note 10)	\$ 8,002,590	\$ 7,431,556
Patient services, net (Note 8)	3,323,592	3,227,844
Contract services (Note 12)	953,323	1,194,441
Donated in-kind revenue (Note 11)	1,803,993	1,756,974
Contributions	57,716	61,799
Primary care safety net services (Note 8)	614,922	637,947
EHR meaningful use	152,614	231,980
Other	64,506	38,905
Total revenue	14,973,256	14,581,446
Expenses:		
Salaries and benefits	8,871,965	8,001,941
Other than personnel services	5,355,588	5,220,895
Interest	693	13,748
Total expenses	14,228,246	13,236,584
Operating income before depreciation and nonoperating revenue	745,010	1,344,862
Depreciation	609,941	589,605
Operating income before nonoperating revenue	135,069	755,257
Nonoperating revenue:		
DHHS capital grants (Note 10)	543,561	366,980
Gain on disposal of assets	1,358,489	—
Total nonoperating revenue	1,902,050	366,980
Increase in unrestricted net assets	2,037,119	1,122,237
Net assets:		
Beginning	10,914,041	9,791,804
Ending	\$ 12,951,160	\$ 10,914,041

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



UNITED NEIGHBORHOOD HEALTH SERVICES, INC.  
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Statement of Functional Expenses

Year Ended January 31, 2016

	Program Services	General and Administrative	Total
Salaries and wages	\$ 5,970,280	\$ 1,483,992	\$ 7,454,272
Fringe benefits	1,135,430	282,263	1,417,693
Healthcare consultants and other			
contractual services	451,852	122,005	573,857
Professional fees	350,226	72,798	423,024
Consumable supplies	217,964	160,731	378,695
Laboratory	384,113	—	384,113
Radiology	160	—	160
Pharmaceuticals	1,809,060	—	1,809,060
Occupancy	396,212	107,362	503,574
Insurance	44,140	8,401	52,541
Repairs and maintenance	55,926	15,154	71,080
Telephone	47,426	9,027	56,453
Travel, conferences and meetings	41,163	7,835	48,998
Dues and subscriptions	70,409	13,401	83,810
Printing, postage and publications	84,315	16,048	100,363
Staff training	123,009	23,413	146,422
Equipment rental	18,309	4,961	23,270
Interest	693	—	693
Other	550,892	149,276	700,168
	<u>11,751,579</u>	<u>2,476,667</u>	<u>14,228,246</u>
Depreciation	<u>479,902</u>	<u>130,039</u>	<u>609,941</u>
 Total expenses	 <u>\$ 12,231,481</u>	 <u>\$ 2,606,706</u>	 <u>\$ 14,838,187</u>

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

UNITED NEIGHBORHOOD HEALTH SERVICES, INC.  
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Statements of Cash Flows

Years Ended January 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from DHHS grants	\$ 7,934,976	\$ 7,443,881
Cash received from patient services	3,408,552	3,197,655
Cash received from contract services	1,115,353	1,103,133
Cash received from other	652,677	625,875
Cash received from contributions	57,716	61,799
Cash received from EHR meaningful use payments	148,751	199,749
Cash paid for interest	(693)	(13,748)
Cash paid for personnel costs	(8,799,203)	(7,971,962)
Cash paid for other than personnel costs	(3,687,438)	(3,375,358)
	<u>830,691</u>	<u>1,271,024</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(1,574,544)	(451,892)
Proceeds from sale of property and equipment	1,800,000	—
	<u>225,456</u>	<u>(451,892)</u>
Net cash provided by (used for) investing activities		
Cash flows from financing activities:		
Proceeds from DHHS capital grants	543,561	366,980
Principal payments of long-term debt	(267,879)	(56,966)
	<u>275,682</u>	<u>310,014</u>
Net cash provided by financing activities		
Net increase in cash	1,331,829	1,129,146
Cash and cash equivalents at beginning of year	<u>3,800,609</u>	<u>2,671,463</u>
Cash and cash equivalents at end of year	<u>\$ 5,132,438</u>	<u>\$ 3,800,609</u>

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

UNITED NEIGHBORHOOD HEALTH SERVICES, INC.  
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Statements of Cash Flows (continued)

Years Ended January 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of operating income before nonoperating revenue to net cash provided by operating activities:		
Operating income before nonoperating revenue	\$ 135,069	\$ 755,257
Adjustments to reconcile operating income before nonoperating revenue to net cash provided by operating activities:		
Depreciation expense	609,941	589,605
Provision for bad debts	425,303	411,781
(Increase) decrease in:		
Patient accounts receivable	(340,343)	(441,970)
Contracts receivable	153,697	(150,399)
Other receivables	(98,228)	(70,883)
Prepaid expenses and other current assets	(12,914)	12,827
Increase (decrease) in:		
Accounts payable and accrued expenses	(122,929)	75,736
Accrued compensation	72,762	29,979
Deferred revenue	8,333	59,091
	<u>\$ 830,691</u>	<u>\$ 1,271,024</u>
Net cash provided by operating activities	<u>\$ 830,691</u>	<u>\$ 1,271,024</u>
<b><i>Supplemental disclosure information:</i></b>		
Noncash donations of dental equipment	<u>\$ —</u>	<u>\$ 65,212</u>

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

UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

d/b/a

NEIGHBORHOOD HEALTH

Notes to the Financial Statements

January 31, 2016 and 2015

NOTE 1 ORGANIZATION

United Neighborhood Health Services, Inc. d/b/a Neighborhood Health (the “Center”), operates primary care centers located in the State of Tennessee in Davidson, Trousdale and Wilson counties. The Center provides a broad range of primary health care services to a largely medically underserved population.

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

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Center considers all highly-liquid investments with original maturity dates of three months or less at the time of purchase to be cash and cash equivalents.

Patient Accounts Receivable

Patient accounts receivable are reported at their outstanding balances reduced by an allowance for doubtful accounts. The Center estimates doubtful accounts based on historical factors related to specific payors’ ability to pay and current economic trends. The Center writes off accounts receivable against the allowance when a balance is determined to be uncollectible.

Patient Service Revenue

Patient services revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Self-pay revenue is recorded at published charges with charitable allowances deducted to arrive at net self-pay revenue. All other patient services revenue is recorded at published charges with contractual allowances deducted to arrive at net patient services revenue.

UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

d/b/a

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Notes to the Financial Statements

(Continued)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment is recorded at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 10 years for equipment and vehicles, and 15 to 40 years for building and improvements. The Center capitalizes all purchases of property and equipment in excess of \$1,000. Management revised their capitalization policy during 2016 to increase the capitalization threshold to \$5,000.

Contributions

Contributions are recorded as either temporarily- or permanently-restricted revenue if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily-restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations and changes in unrestricted net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as unrestricted revenue, which require the Center to provide specific services and, if not, the contributor is not obligated to provide these funds. There were no restricted net assets at January 31, 2016 or 2015.

Government Grants

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions. Grants and contracts awarded for the acquisition of long-lived assets are reported as unrestricted nonoperating revenue. Cash received in excess of revenue recognized is recorded as refundable advances. At January 31, 2016 and 2015, the Center has received conditional grants and contracts from governmental entities in the aggregate amounts of \$328,000 and \$772,239, respectively, which have not been recorded in these financial statements. These grants and contracts require the Center to provide certain healthcare services during specified periods. If such services are not provided during the periods, the governmental entities are not obligated to expend the funds allotted under the grants and contracts.

Interest Income

Interest earned on nonfederal funds is recorded as income on an accrual basis. Interest earned on federal funds is recorded as a payable to the Public Health Service (the "PHS") in compliance with OMB Circular A-110. For the years ended January 31, 2016 and 2015, the Center had not earned any material interest income on federal funds.

UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

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NEIGHBORHOOD HEALTH

Notes to the Financial Statements

(Continued)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Paid Time Off

Employees can earn paid time off based on a formula outlined in the employee handbook. This formula is based on status (exempt or non-exempt) and length of employment with the Center. Employees are also compensated for absences related to illness; however, these benefits are not vested and therefore not accrued. Accrued vacation was \$253,445 and \$231,114 as of January 31, 2016 and 2015, respectively, and is reflected as accrued compensation on the balance sheets.

Income Taxes

The Center was incorporated as a not-for-profit corporation under the laws of the State of Tennessee and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, there is no provision for income taxes.

The Center has adopted FASB ASC 740-10 “*Accounting for Uncertainty in Income Taxes*” (FASB ASC 740-1), which provides a framework for how companies should recognize, measure, present and disclose uncertain tax positions within the financial statements. The Center may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Center does not have any uncertain tax positions and did not record any penalties or interest associated with uncertain tax positions as of January 31, 2016 or 2015.

NOTE 3 PATIENT ACCOUNTS RECEIVABLE, NET

Patient accounts receivable, net, consisted of the following as of January 31, 2016 and 2015, respectively:

	<u>2016</u>	<u>2015</u>
Medicare	\$ 125,109	\$ 204,019
Private insurance	260,352	308,259
Self-pay	262,192	178,808
TennCare managed care plans	472,740	257,190
	<u>1,120,393</u>	<u>948,276</u>
Less allowance for doubtful accounts	<u>(852,352)</u>	<u>(595,275)</u>
	<u>\$ 268,041</u>	<u>\$ 353,001</u>

UNITED NEIGHBORHOOD HEALTH SERVICES, INC.  
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Notes to the Financial Statements

(Continued)

NOTE 4      CONTRACTS RECEIVABLE

Contracts receivable consisted of the following as of January 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Metropolitan Government of Nashville and Davidson County:		
Downtown Clinic Program	\$ 29,591	\$ 59,190
Tennessee Department of Mental Health and Substance Abuse Services:		
Screening, Brief Intervention, Referral for Treatment-Tennessee Program	10,574	22,000
Adult Continuum of Care	27,732	16,140
United Healthcare Plan of the River Valley, Inc.:		
Pay-For-Value Program	—	130,475
U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services:		
Strong Start for Mothers and Newborns	18,289	13,092
Nashville CARES	1,014	—
	<u>\$ 87,200</u>	<u>\$ 240,897</u>

NOTE 5      TENNCARE MANAGED CARE WRAPAROUND PAYMENTS

The State of Tennessee provides additional payments to community health clinics to subsidize the cost of care to TennCare recipients above the payment amount made by the managed care organizations. During the periods ended January 31, 2016 and 2015, the Center received \$1,286,731 and \$1,170,537, respectively.

NOTE 6      CONCENTRATION OF CREDIT RISK

The Center maintains its cash in bank deposit accounts which, at times, may exceed federally-insured limits. Deposits exceeded the federally-insured limits by \$4,923,247 and \$3,772,285 at January 31, 2016 and 2015, respectively. The Center has not experienced any losses in such accounts. Management does not feel these funds are at risk.

UNITED NEIGHBORHOOD HEALTH SERVICES, INC.  
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Notes to the Financial Statements

(Continued)

NOTE 7      PROPERTY AND EQUIPMENT, NET

A summary of the property and equipment as of January 31, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 749,417	\$ 749,417
Buildings and building improvements	8,639,316	8,082,228
Medical and dental equipment	652,663	607,723
Office equipment	925,482	918,355
Automobiles	300,090	300,090
Computer equipment and software	1,036,010	1,007,542
Construction in progress	953,360	457,947
	<u>13,256,338</u>	<u>12,123,302</u>
Less accumulated depreciation	<u>(5,929,016)</u>	<u>(5,319,072)</u>
	<u>\$ 7,327,322</u>	<u>\$ 6,804,230</u>

In the event the DHHS grants are terminated, the DHHS reserves the right to transfer all property and equipment purchased with grant funds to the Public Health Services (“PHS”) or third parties.

NOTE 8      PATIENT SERVICE REVENUE

For the years ended January 31, 2016 and 2015, patient service revenue consisted of the following:

	<u>2016</u>	<u>2015</u>
Patient service revenue:		
Medicare	\$ 670,432	\$ 609,195
Private insurance	1,327,752	1,052,263
Self-pay	6,095,345	5,944,820
TennCare managed care	2,849,575	2,677,247
Total gross patient services revenue	<u>10,943,104</u>	<u>10,283,525</u>
Less contractual allowance	<u>(7,194,209)</u>	<u>(6,643,900)</u>
Patient service revenue (net of contractual allowances)	3,748,895	3,639,625
Provision for bad debts	<u>(425,303)</u>	<u>(411,781)</u>
Patient services, net	3,323,592	3,227,844
Tennessee Department of Health – Primary Care Safety Net Services	<u>614,922</u>	<u>637,947</u>
Total patient service revenue	<u>\$ 3,938,514</u>	<u>\$ 3,865,791</u>



UNITED NEIGHBORHOOD HEALTH SERVICES, INC.  
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Notes to the Financial Statements

(Continued)

NOTE 8 PATIENT SERVICES, NET (CONTINUED)

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

NOTE 9 LONG-TERM DEBT

Long-term debt consisted of the following at January 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
The Center entered into a loan agreement on October 3, 2013, in the amount of \$300,000 to purchase a building. The note was scheduled to mature on October 3, 2023, with interest and principal payments in 120 monthly installments of \$3,141, including interest at 4.65%. The note is secured by property at 3904 Gallatin Pike, Nashville, Tennessee 37216. The loan was paid off during 2015.	\$ —	\$ 267,879
Less current maturities	—	(25,520)
Long-term portion	\$ —	\$ 242,359

NOTE 10 DHHS GRANTS

For the year ended January 31, 2016, the Center received the following grants from the DHHS:

<u>Grant Number</u>	<u>Grant Period</u>	<u>Total Grant</u>	<u>Operating Revenue</u>	<u>Nonoperating Revenue</u>	<u>Unrestricted Revenue Recognized</u>
6 H80CS00394-14-12	02/01/15-01/31/16	\$ 8,293,032	\$ 8,002,590	\$ —	\$ 8,002,590
6 C8ACS23803-01-04	05/01/12-04/30/15	1,098,463	—	77,644	77,644
4 C12CS22038-01-03	07/01/11-6/30/15	500,000	—	465,917	465,917
		\$ 9,891,495	\$ 8,002,590	\$ 543,561	\$ 8,546,151

UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

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Notes to the Financial Statements

(Continued)

NOTE 10 DHHS GRANTS (CONTINUED)

For the year ended January 31, 2015, the Center received the following grants from the DHHS:

<u>Grant Number</u>	<u>Grant Period</u>	<u>Total Grant</u>	<u>Operating Revenue</u>	<u>Nonoperating Revenue</u>	<u>Unrestricted Revenue Recognized</u>
6 H80CS00394-13-08	02/01/14-01/31/15	\$ 7,447,892	\$ 7,431,556	\$ —	\$ 7,431,556
6 C8ACS23803-01-04	05/01/12-04/30/15	1,224,816	—	266,422	266,422
4 C12CS22038-01-03	07/01/11-06/30/15	500,000	—	2,500	2,500
1 C8BCS23967-01-00	05/01/12-04/30/14	500,000	—	98,058	98,058
		<u>\$ 9,672,708</u>	<u>\$ 7,431,556</u>	<u>\$ 366,980</u>	<u>\$ 7,798,536</u>

Nonoperating revenue represents amounts used for capital expenditures.

NOTE 11 DONATED IN-KIND REVENUE

The Center occupies three facilities that are separately owned by the Metropolitan Development Housing Agency, HCA Health Services of Tennessee, Inc. and Nashville Rescue Mission. Donated space is recorded at fair value of the space donated. For the years ended January 31, 2016 and 2015, donated space amounted to \$179,474, and the offsetting expense is included in occupancy expense on the statement of functional expenses.

The Center receives donated vaccines during the year. Donated vaccines are recorded at the fair market value of the vaccines that were received. For the years ended January 31, 2016 and 2015, vaccines contributed to the Center amounted to \$1,545,039 and \$1,472,288, respectively, and the offsetting expense is included in pharmaceuticals on the statement of functional expenses.

The Center receives donated laboratory services which are recorded at the fair market value of the services received. For the years ended January 31, 2016 and 2015, services contributed to the Center amounted to \$79,480 and \$40,000, respectively, and the offsetting expense is included in laboratory on the statement of functional expenses.

The Center received donated dental equipment which is recorded at the fair market value of the equipment received. For the year ended January 31, 2015, donated equipment amounted to \$65,212, and the offsetting asset is included in medical and dental equipment on the balance sheets.

UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

d/b/a

NEIGHBORHOOD HEALTH

Notes to the Financial Statements

(Continued)

NOTE 12 CONTRACT SERVICES

For the years ended January 31, 2016 and 2015, contract services revenue consisted of the following:

	<u>2016</u>	<u>2015</u>
Metropolitan Government of Nashville and Davidson County:		
Downtown Clinic Program	\$ 333,196	\$ 355,150
United Healthcare Plan of the River Valley, Inc: Pay-For-Value Program	18,025	209,281
Tennessee Department of Mental Health and Substance Abuse Services:		
Screening, Brief Intervention, Referral for Treatment-Tennessee Program	174,416	140,932
Adult Continuum of Care Program	124,058	174,583
U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services:		
Strong Start for Mothers and Newborns	230,947	206,552
United Way of Metropolitan Nashville	—	29,896
Other	72,681	78,047
	<u>\$ 953,323</u>	<u>\$ 1,194,441</u>

NOTE 13 COMMITMENTS AND CONTINGENCIES

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

The Center maintains medical malpractice coverage, through an insurer, that complies with the Federal Tort Claims Act ("FTCA"). FTCA limits malpractice awards to eligible PHS-supported programs and applies to the Center and its employees while providing services within the scope of their responsibilities under grant-related activities.

The Attorney General, through the U.S. Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage.

UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

d/b/a

NEIGHBORHOOD HEALTH

Notes to the Financial Statements

(Continued)

NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Center leases space under various operating leases. Rent expense for the years ended January 31, 2016 and 2015, respectively, amounted to \$300,618 and \$301,198, and is included in occupancy expense on the statement of functional expenses. Future minimum lease payments under noncancelable leases are as follows:

Year ending January 31,

2017	\$ 16,976
2018	12,000
2019	12,000
2020	12,000
2021	12,000
	<hr/>
	\$ 64,976
	<hr/>

NOTE 14 DEFINED CONTRIBUTION PLANS

The Center sponsors 401(k) and 403(b) defined-contribution plans covering substantially all employees. Employees may make contributions to these plans which are limited to a maximum annual amount as set periodically by the Internal Revenue Service. All employee contributions vest immediately. Employer-matching contributions are not allowed under either plan. The Center is permitted to make non-elective contributions, but has not made any such contributions as of January 31, 2016 and 2015. Effective June 9, 2014, the 401(k) plan was frozen by the Center's management. The 401(k) plan no longer allows any future employee to participate in the plan and no longer allows any further contributions. All amounts in the employees' account are fully vested and non-forfeitable.

NOTE 15 SUBSEQUENT EVENTS

The Center evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation was performed through the date the financial statements were available to be issued, which is April 20, 2016.

INTERNAL CONTROL AND COMPLIANCE SECTION

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  
United Neighborhood Health Services, Inc. d/b/a Neighborhood Health

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 United Neighborhood Health Services, Inc. d/b/a Neighborhood Health (the "Center"), a nonprofit organization, which comprise the balance sheets as of January 31, 2016 and 2015, and the related statements of operations and change in unrestricted net assets, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 20, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected in a timely manner. 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2016-001).



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* (CONTINUED)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-001.

We also noted certain matters that we reported to management of the Center in a separate letter dated April 20, 2016.

**The Center's Response to Findings**

The Center's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned cost. The Center'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 result of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

April 20, 2016  
Chattanooga, Tennessee



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED IN ACCORDANCE WITH THE UNIFORM  
GUIDANCE

To the Board of Directors  
United Neighborhood Health Services, Inc. d/b/a Neighborhood Health

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of United Neighborhood Health Services, Inc. d/b/a Neighborhood Health (the "Center"), 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 the Center's major federal programs for the year ended January 31, 2016. The Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations ("CFR") 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 the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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





INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED IN ACCORDANCE WITH THE UNIFORM  
GUIDANCE (CONTINUED)

**Opinion on Each Major Federal Program**

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

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to above that is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

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

**Report on Internal Control over Compliance**

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 in a timely manner.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED IN ACCORDANCE WITH THE UNIFORM  
GUIDANCE (CONTINUED)

**Report on Internal Control over Compliance (continued)**

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-1, that we consider to be a significant deficiency.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. 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 the Center as of and for the year ended January 31, 2016, and have issued our report thereon dated April 20, 2016, 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.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED IN ACCORDANCE WITH THE UNIFORM  
GUIDANCE (CONTINUED)

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance  
(continued)**

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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole

April 20, 2016  
Chattanooga, Tennessee



UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

d/b/a

NEIGHBORHOOD HEALTH

Schedule of Findings and Questioned Costs

Year Ended January 31, 2016

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

***Financial Statements***

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Are any material weaknesses identified?        Yes   ✓   No
- Are any significant deficiencies identified?   ✓   Yes        None Reported
- Is any noncompliance material to financial statements noted?        Yes   ✓   No

***Federal Awards***

Internal control over major programs:

- Are any material weaknesses identified?        Yes   ✓   No
- Are any significant deficiencies identified?   ✓   Yes        None Reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?        Yes   ✓   No

Identification of major program(s):

CFDA Number(s)

Name of Federal Program or Cluster

Health Centers Cluster:  
93.224

United States Department of  
Health and Human Services:  
  
Consolidated Health Centers  
Program

UNITED NEIGHBORHOOD HEALTH SERVICES, INC.  
d/b/a  
NEIGHBORHOOD HEALTH

Schedule of Findings and Questioned Costs (Continued)

Year Ended January 31, 2016

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

\$750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes      ✓ No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**FINDING 2016-001:**

*Criteria:* The Center is required to safeguard its assets and those associated with state and federal grants against misuse, misappropriation and defalcation in accordance with laws and regulations.

*Condition and Context:* An employee converted Center assets to their personal benefit by circumvention of internal controls.

*Cause:* The Center's segregation of duties enabled the employee to circumvent the internal controls and convert assets for personal benefit.

*Effect or Potential Effect:* Cash was misappropriated to an employee's personal benefit through circumvention of internal controls. This was discovered through a complaint from a patient. This misappropriation impacted federal grants due to the failure to collect the patient portion of amount due for service.

*Recommendation:* We recommend immediate termination of the employee involved and that the Center strengthen segregation controls in this area to prevent future circumvention.

*Responsible Officials' Response:* The employee was terminated immediately after discovery of the situation. Controls have been strengthened around this function by further segregating duties. The amount misappropriated was recovered through a claim against the Center's employee dishonesty insurance minus the deductible.

UNITED NEIGHBORHOOD HEALTH SERVICES, INC.  
d/b/a  
NEIGHBORHOOD HEALTH

Schedule of Findings and Questioned Costs (Continued)

Year Ended January 31, 2016

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**FINDING 2016-001**

*Information on the Federal Program:* CFDA 93.224 - Health Center Cluster Program, United States Department of Housing and Urban Development. *Award Number:* 2 H80CS0094-14-00.

*Criteria:* The Center is required to safeguard assets related to its grants.

*Condition:* As mentioned in Section II, a misappropriation of assets occurred due to a circumvention of the Center's internal controls.

*Questioned Costs* \$2,500, the amount of the deductible for the Employee Dishonesty policy.

*Context:* Management of the Center was made aware of the situation through patient complaints regarding their receiving statements or collection letters for payments previously made.

*Effect or Potential Effect:* Center funds were converted to the personal benefit of an employee.

*Cause:* The Center's internal controls were circumvented.

*Repeat Finding:* Not applicable

*Recommendation:* As mentioned in Section II, we recommend that the employee be terminated immediately and that the Center strengthen their controls through further segregation of duties.

*Responsible Officials' Response:* The employee was immediately terminated and controls have been strengthened around this function by further segregating duties.

UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

d/b/a

NEIGHBORHOOD HEALTH

Summary Schedule of Prior Year's Findings

Year Ended January 31, 2016

*Audit Finding Reference:*

No prior year findings were noted.

UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

d/b/a

NEIGHBORHOOD HEALTH

Corrective Action Plan

Year Ended January 31, 2016

*Audit Finding Reference:* 2016-001

*Planned Corrective Action:* Once the misappropriation was discovered the Center immediately terminated the employee responsible. The Center will develop further segregation of duties related to cash collection and payment posting in patient accounts. The CFO will follow-up to ensure the new procedures are being followed. This will be implemented immediately.

*Name of Contact Person:* Chief Financial Officer



UNITED NEIGHBORHOOD HEALTH SERVICES, INC.  
d/b/a  
NEIGHBORHOOD HEALTH

Schedule of Expenditures of Federal Awards

Year Ended January 31, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Grantor's Number	Federal Expenditures
U.S Department of Health and Human Services:			
Direct programs:			
Health Center Cluster Program	93.224	N/A	\$ 8,002,590
Capital Development Program	93.526	N/A	77,644
Affordable Care Act Grants for School-Based Health Centers Capital Program	93.501	N/A	465,917
<b>Subtotal Health Centers Cluster</b>			<u>8,546,151</u>
Passed through Centers for Medicare and Medicaid Services:			
Strong Start for Mothers and Newborns	93.611	N/A	230,947
Passed through Tennessee Department of Mental Health and Substance Abuse Services:			
Adult Continuum of Care	93.959	N/A	124,058
Screening, Brief Intervention and Referral to Treatment (SBIRT)	93.243	N/A	174,416
<b>Total Federal Awards</b>			<u><u>\$ 9,075,572</u></u>

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Center and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 FEDERAL EXPENDITURES

Of the federal expenditures presented in this schedule, the Center did not expend any federal awards in the form of non-cash assistance, insurance in effect during the period and loans or loan guarantees, including interest subsidies, outstanding at year end.

NOTE 3 SUBRECIPIENTS

The Center provided no federal awards to subrecipients.



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION —  
SCHEDULE OF STATE FINANCIAL ASSISTANCE

To the Board of Directors  
United Neighborhood Health Services, Inc. d/b/a Neighborhood Health

We have audited the financial statements of United Neighborhood Health Services, Inc. d/b/a Neighborhood Health (the "Center"), as of and for the year ended January 31, 2016, and have issued our report thereon dated April 20, 2016, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The Schedule of State Financial Assistance is presented for the 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.

April 20, 2016



UNITED NEIGHBORHOOD HEALTH SERVICES, INC.  
d/b/a  
NEIGHBORHOOD HEALTH

Schedule of State Financial Assistance

<u>State Grantor</u>	Year Ended January 31, 2016					
	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Beginning Receivable</u>	<u>Cash Receipts</u>	<u>Expenditures/ Revenues</u>	<u>Ending Receivable</u>
State Financial Assistance: U.S. Department of Health and Human Services: Passed through Tennessee Department of Health: Primary Care Services to Uninsured Adults (1)	N/A	GR-15-42913-00	\$ 215,708	\$ 357,854	\$ 142,146	\$ —
	N/A	GR-16-46710-00	—	275,237	472,776	197,539
			<u>\$ 215,708</u>	<u>\$ 633,091</u>	<u>\$ 614,922</u>	<u>\$ 197,539</u>

(1) Based on revenues earned per award.