



Report to the Audit Committee

May 18, 2017

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Agenda

- Status
- Financial highlights
- Audit/CFR overview
- IRS Form 990 and NYS CHAR 500
- Required Communications



Status

- Financial statements in draft subject to approval
- Audit procedures essentially complete – management representation letter
- Update subsequent events
- Finalize CFR
- Form 990 & CHAR 500





Financial Statement Highlights





Summary of Increase in Net Assets

Year	Change
2012	\$ 1,011,306
2013	\$ 20,017
2014	\$ 395,255
2015	\$ 528,317
2016	\$ 919,175
Total	\$ 2,874,070

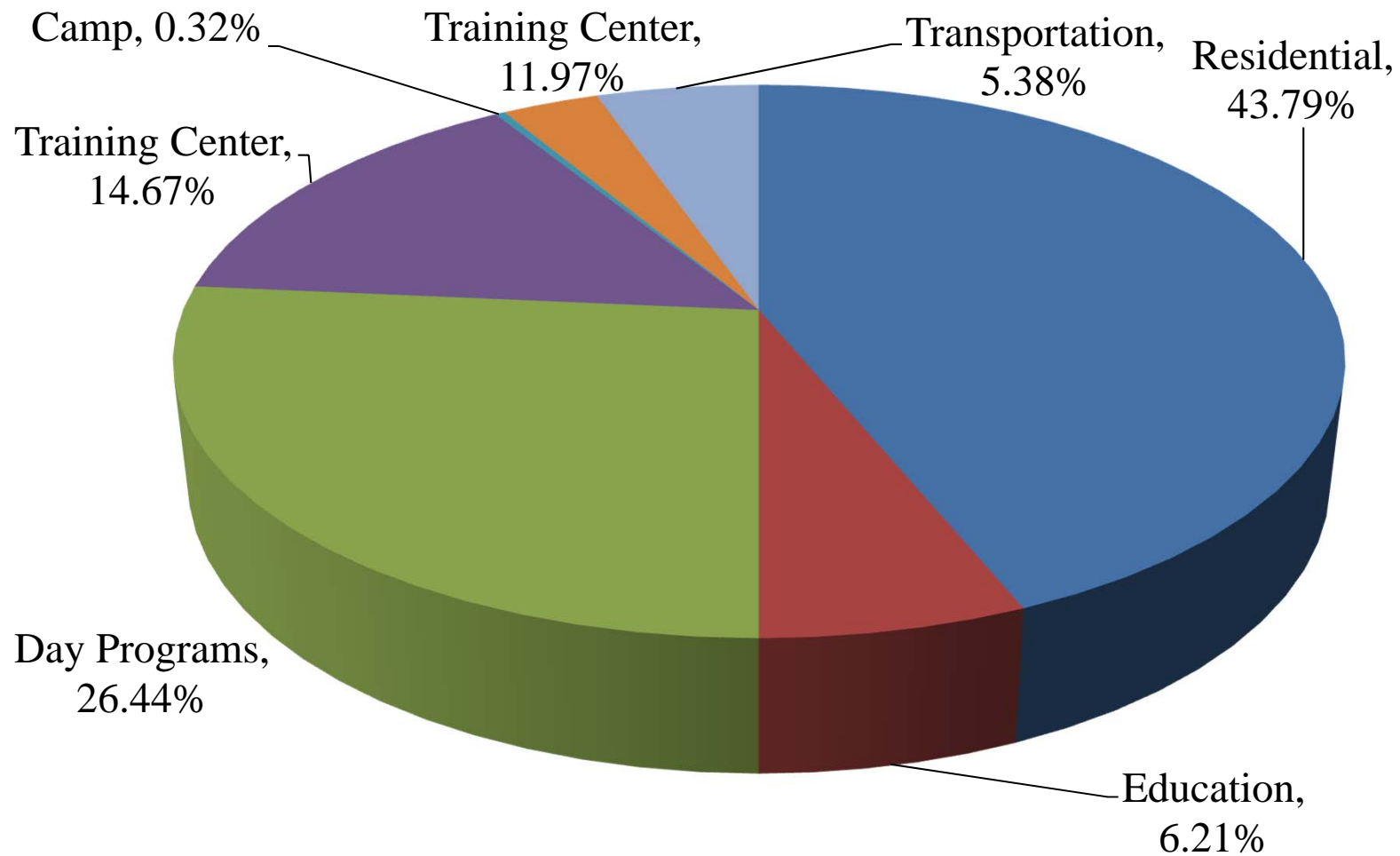
Five year average surplus \$ 574,814

G&A – 9.84% in 2016; 10.40% in 2015

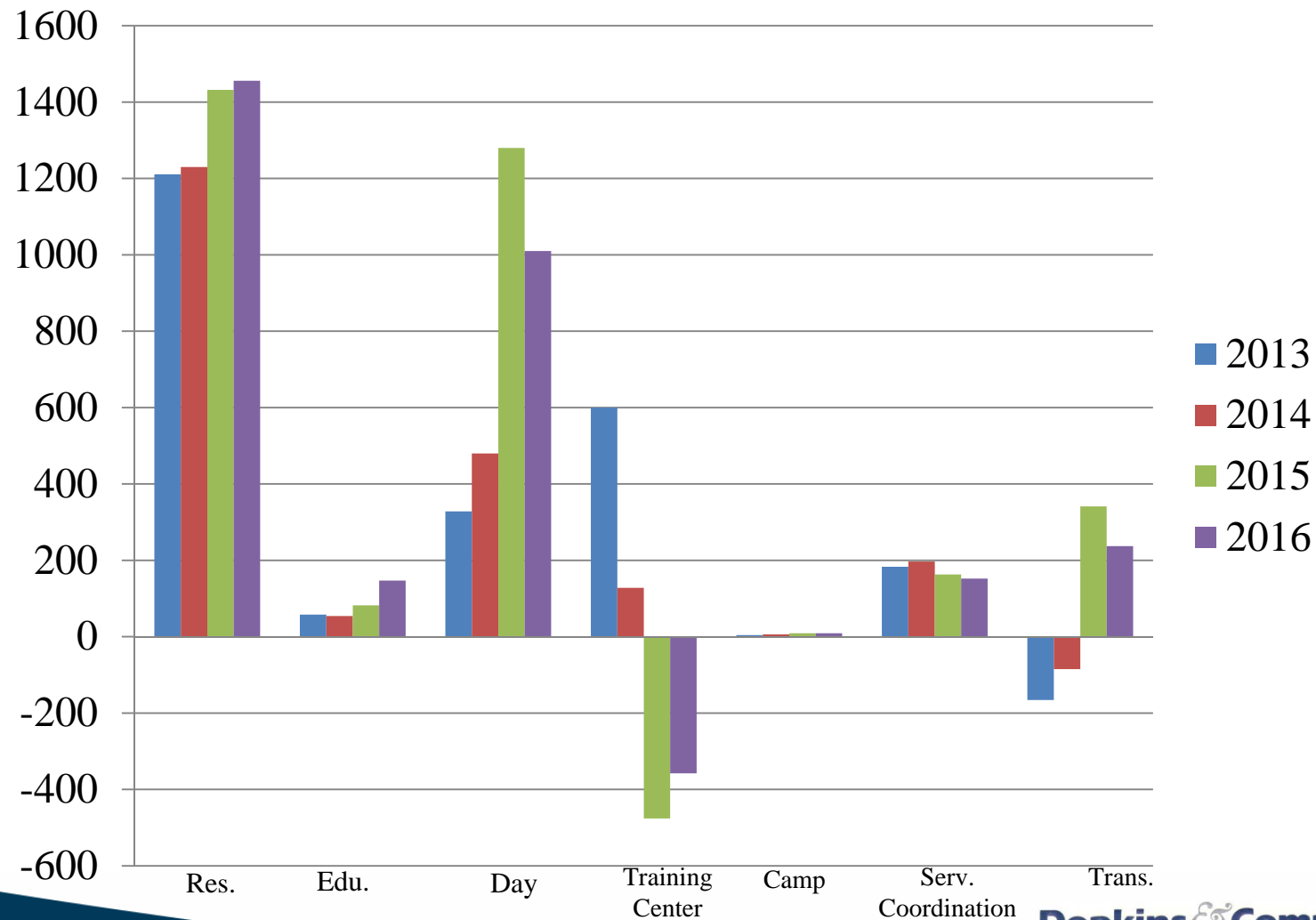




Revenue: \$22,752,550

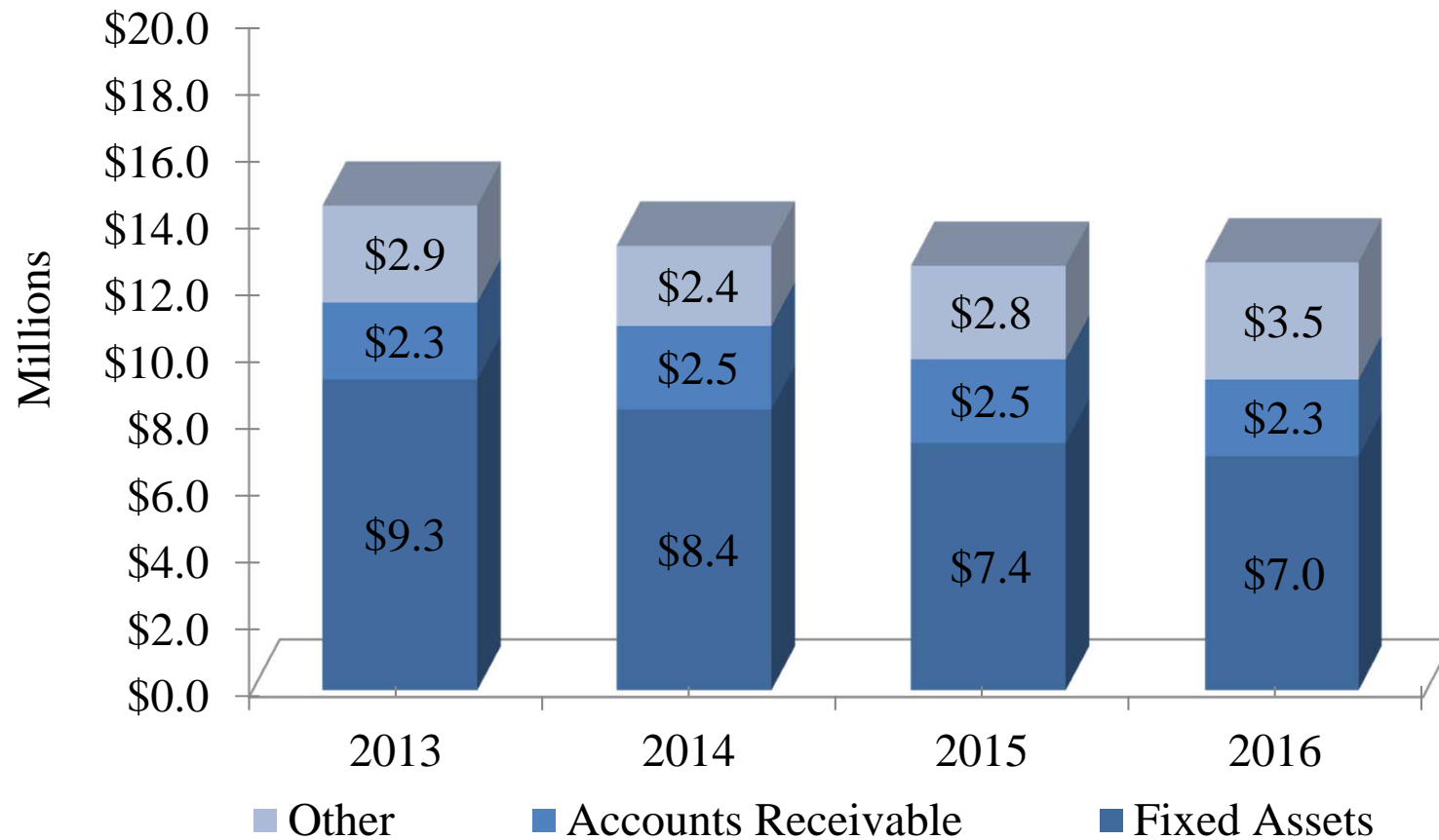


Excess (deficiency) of revenues over expenses before G&A
(in 000s)



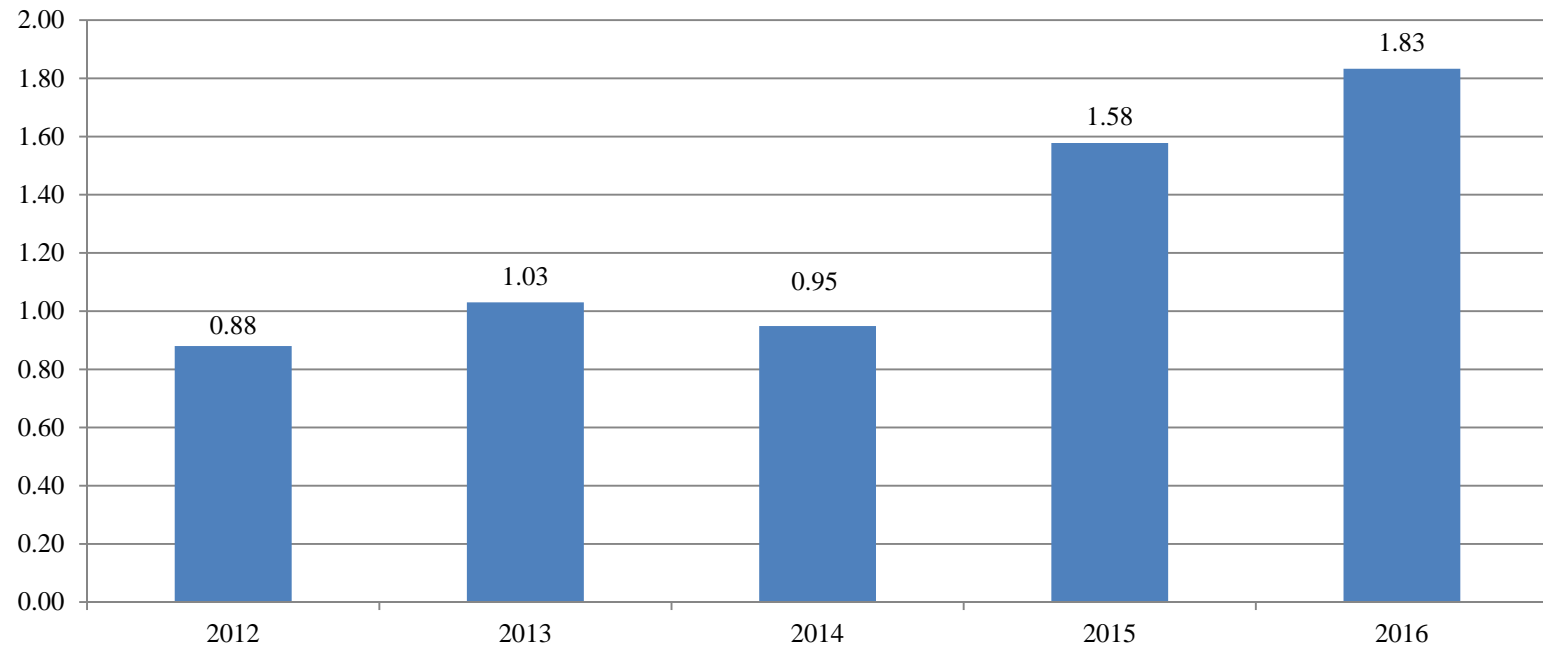


Total Assets





Current Ratio

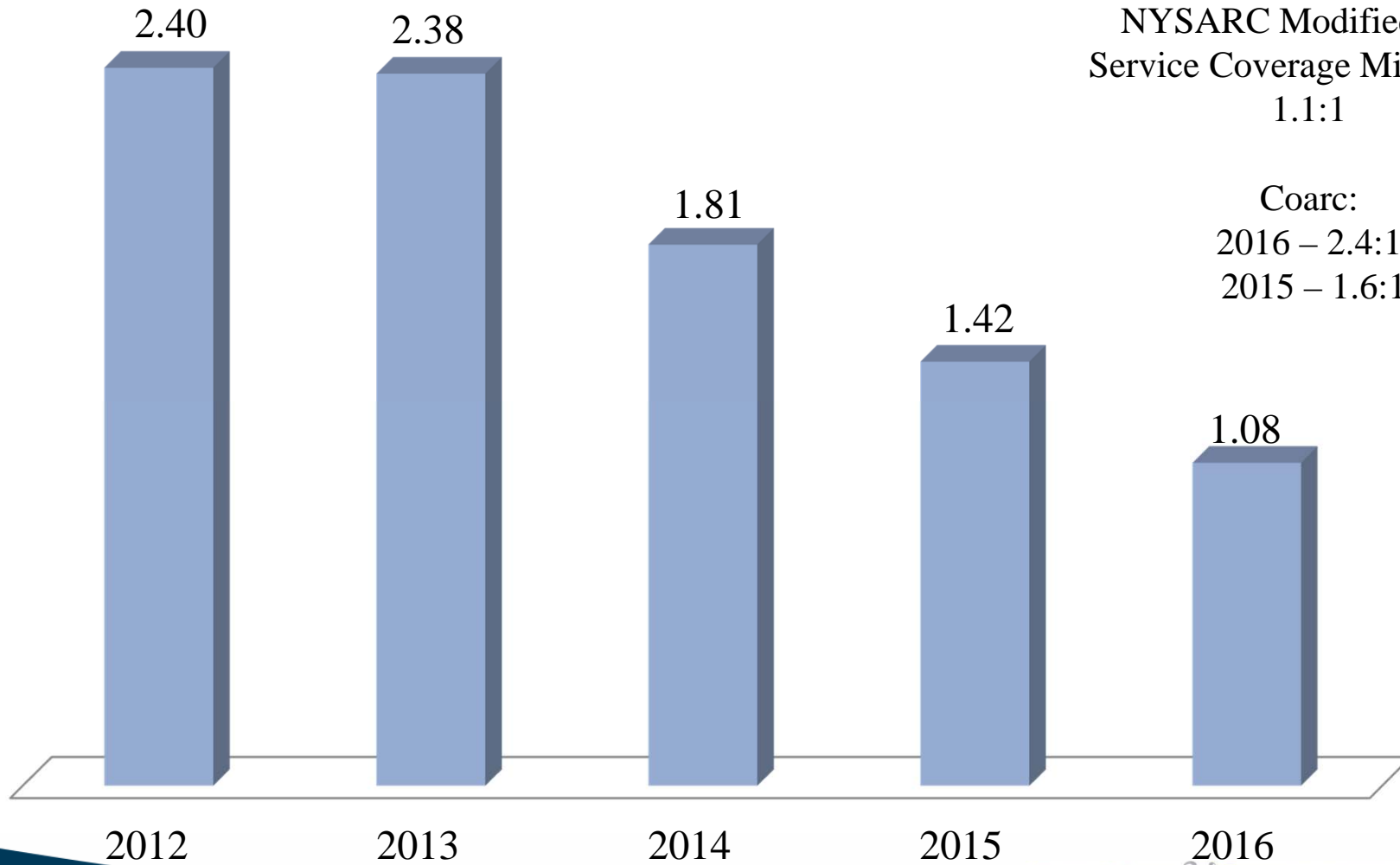


NYSARC Ratio Minimum – 1.25



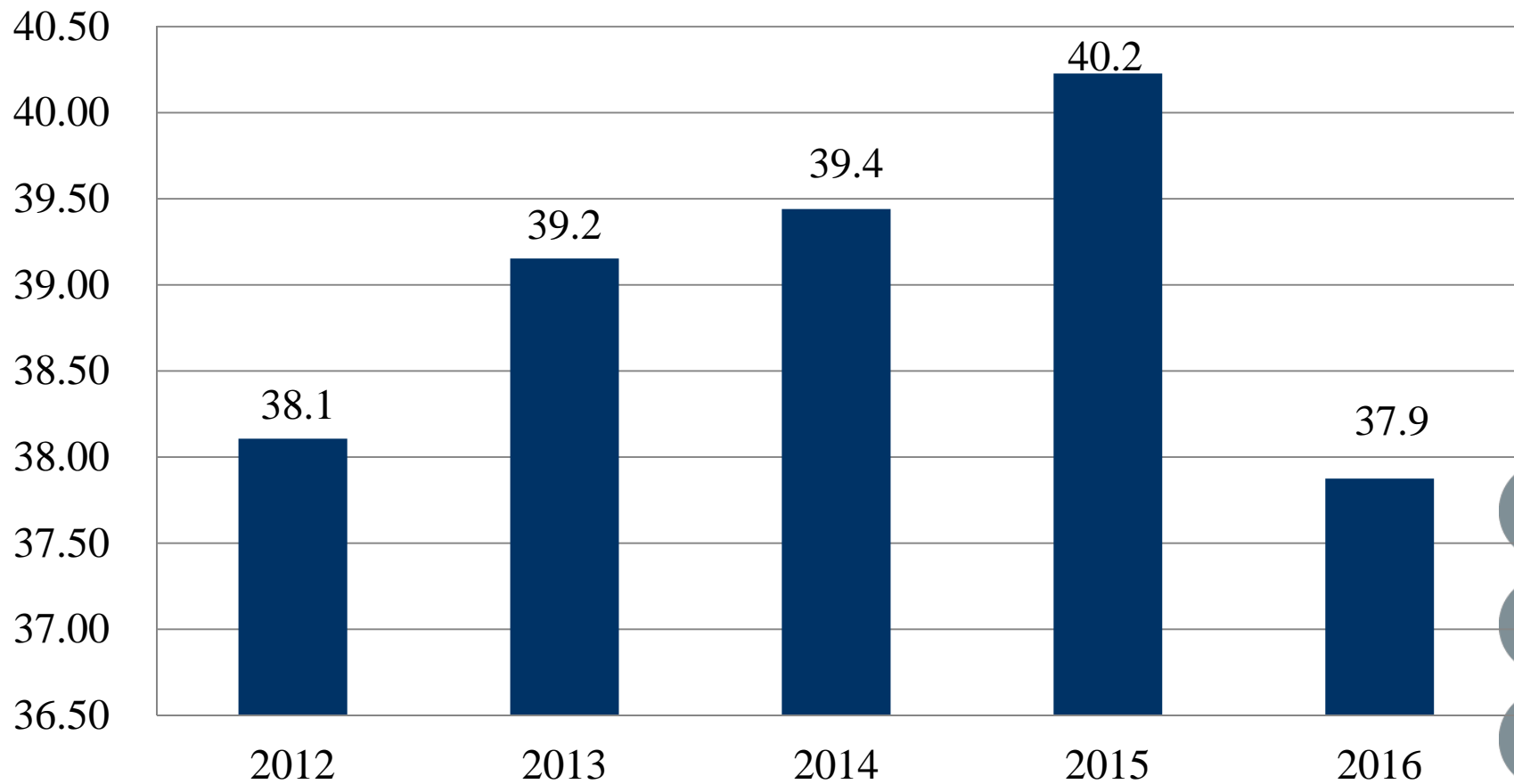


Debt to Net Asset Ratio





Days Revenue in Receivables





Financial Statement Highlights

- New accounting pronouncements (Note 1)
 - Revenue
 - Leases
 - NFP financial statement presentation
- Subject to compliance audits from funding sources (Note 1)
- Commitment to sell properties for \$1,650,000 (Note 4)
- Long-term debt (Note 6) – revised for loans refinanced in 2017
- Related party transactions (Note 10)





Audit/CFR Overview

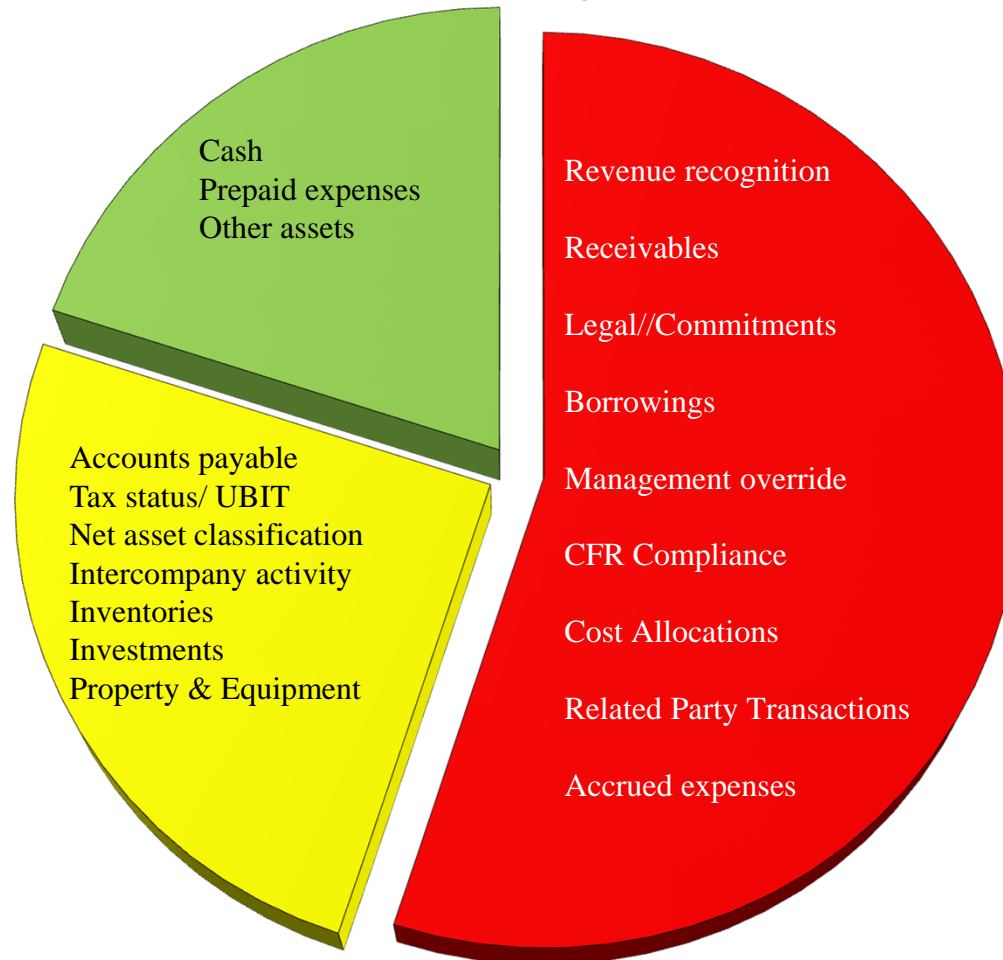




Audit Risk Analysis

In our judgment, high risk areas require special consideration due to the nature of the inherent risk and the likely magnitude of potential misstatements.

The chart presents our risk analysis for significant components of the financial statements. The risk analysis is intended to highlight attention to in connection with the financial statement audit.





Audit Highlights

- Audit opinion – unmodified (clean)
- Internal controls
 - Letter stating no material weaknesses identified
 - Provided observations for best practices when identified
- No audit adjustments
 - Annual reclassifying entries for full GAAP presentation
- One audit difference (“passed” adjustment)
 - To reduce assets and net assets in the amount of \$40,000 representing costs originally capitalized to become ISO certified.
- Post-audit required communications letter





Significant Audit Areas

- Revenue recognition & receivables
 - Confirmations ineffective for most transactions/activities
 - Existence – reviewed attendance/enrollment records
 - Valuation – rate sheets/contracts/subsequent cash receipts
 - Allowance –
 - Understand management's analysis
 - Test and analytically review aging
- OMIG compliance audit
- Accrued expense
 - Variable portion of health insurance – viewed invoice support
 - SMART contribution – no accrual for 2016





Significant Audit Areas

Inventory

- Observation
- Price Testing

Investments - confirmation

Bank borrowings

- Confirmations
- Loan refinances (subsequent)
- Covenants - passed

Legal matters

- Reviewed invoices and sent inquiry to attorney
- HR suit

Commitments – agreements to sell properties

Management override considerations





Significant Audit Areas

- CFR Compliance (high risk because of the regulatory environment)
 - Procedures are required under the CFR Reporting and Claiming Manual published by NYS
 - Preparation and review process
 - Additional procedures based on findings we see in the industry
 - Comprehensive payroll and expense testing
 - Related party transactions
 - Documentation required to support transaction pricing
 - Cost allocations
 - Non allowed costs
 - CFR business advice memo





IRS Form 990 and NYS Form CHAR 500

- Part III – Statement of Program Service Accomplishments
- Part VI – Governance & Policies
- Schedule J – Compensation Information
- Schedule L – Transactions With Interested Persons
- Schedule O – Narratives





Required Communications

- Board, Management and Auditor responsibilities for financial statement audit
- Accounting matters
 - Adoption of, or change in, significant policies
 - Significant or unusual transactions
 - Significant management judgments and estimates
 - Quality of financial statement disclosures
- Audit matters
 - Adjustments recorded and unrecorded
 - Disagreements or significant items discussed with management
 - Internal control matters – no material weakness letter
 - Significant written communications between management and Dopkins
 - Arrangement, audit planning and management representation letters

