

EMPOWER 'U', INC.
(a nonprofit organization)
FINANCIAL STATEMENTS AND REPORTS
REQUIRED UNDER *GOVERNMENT AUDITING*
***STANDARDS* AND THE SINGLE AUDIT ACT**
FOR THE YEAR ENDED MARCH 31, 2015

EMPOWER 'U', INC.
(a nonprofit organization)
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Empower 'U', Inc.
(a nonprofit organization)
Miami, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Empower 'U', Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2015, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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To the Board of Directors of
Empower 'U', Inc.
(a nonprofit organization)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Empower 'U', Inc. as of March 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 28, 2016, on our consideration of Empower 'U', Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Empower 'U', Inc.'s internal control over financial reporting and compliance.

GLSC & Company, PLLC

Miami, Florida
April 28, 2016

EMPOWER 'U', INC.
(a nonprofit organization)
STATEMENT OF FINANCIAL POSITION
March 31, 2015

ASSETS

Cash	\$ 155,825
Grants receivables	253,495
Accounts receivables	173,152
Property and equipment - net	451,812
Deposits and other assets	<u>72,308</u>
TOTAL ASSETS	<u>\$ 1,106,592</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payables	\$ 204,099
Payroll liabilities and other liabilities	99,495
Tenant security deposits	3,052
Bank loan	12,293
Litigation settlement	<u>21,250</u>
TOTAL LIABILITIES	<u>340,189</u>

NET ASSETS

Unrestricted	<u>766,403</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,106,592</u>
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The accompanying notes are an integral part of these financial statements.

EMPOWER 'U', INC.
(a nonprofit organization)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2015

	<u>Unrestricted</u>
REVENUES AND OTHER SUPPORT:	
Grants:	
Federal Government	\$ 2,394,653
Miami Dade County	14,125
United Way Allocation	62,049
Other revenues:	
Clinic income	911,306
Other grants and contributions	53,916
Rental income	37,683
Fundraising	26,235
Miscellaneous income	807
Total revenues and other support	<u>3,500,774</u>
 PROGRAM EXPENSES:	
Care connection	144,458
Case management	308,967
Housing	374,730
Medical Care	1,205,839
Mental Health/ Counseling	25,197
Prevention	773,644
Other programs	145,707
Total program expenses	<u>2,978,542</u>
 Management and general	 337,811
Fundraising	<u>25,778</u>
Total expenses	<u>3,342,131</u>
 TOTAL CHANGE IN NET ASSETS	 158,643
 NET ASSETS AT BEGINNING OF YEAR	 <u>607,760</u>
 NET ASSETS AT END OF YEAR	 <u><u>\$ 766,403</u></u>

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

EMPOWER 'U', INC.
(a nonprofit organization)
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 158,643
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	13,627
(Increase) Decrease in:	
Grants receivables	(57,892)
Accounts receivables	(173,152)
Deposits and other assets	(24,400)
Increase (Decrease) in:	
Accounts payable	137,777
Payroll liabilities and other liabilities	94,640
Tenant security deposits	663
Settlement for litigation	21,250
Total adjustments	<u>12,513</u>
Net Cash Provided by Operating Activities	<u>171,156</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>(69,194)</u>
Net Cash (Used in) Investing Activities	<u>(69,194)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from notes payable	15,000
Proceeds from bank loan	12,293
Payment of notes payable	<u>(32,500)</u>
Net Cash (Used In) Financing Activities	<u>(5,207)</u>
 NET INCREASE IN CASH	96,755
 CASH AT BEGINNING OF YEAR	<u>59,070</u>
 CASH AT END OF YEAR	<u>\$ 155,825</u>

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

EMPOWER 'U', INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

1. NATURE OF ACTIVITIES

Empower 'U', Inc. ("Empower U") is a non-profit comprehensive community health center in the Liberty City area in Miami-Dade County, providing patient-centered primary medical care and related health services to minorities and their families, to reduce the disparities in traditionally underserved population, regardless of their ability to pay. Founded in 1997, Empower U today serves nearly 3,500 patients. In 2014, Empower U was designated as a Federally Qualified Health Center (FQHC) by the Department of Health and Human Services, and the Health Resources and Services Administration (HRSA).

Supplementing its primary care, Empower U also provides nutrition education, pediatrics, women's health, prenatal, mental health and counseling services, HIV prevention and support services and wellness education. Empower U operates and manages the following programs:

Care Connection and Medical Case Management Program

The Care Connection and Medical Case Management programs provide care and medical case management as well as peer education and support services to over 500 people living with HIV/AIDS. This program helps HIV positive individuals who are newly diagnosed or previously diagnosed, but never had proper care to access medical care services. Medical case management works to improve health outcomes through increasing access to care and support services.

Housing Program

The Housing program provides long-term housing services to 240 people living with AIDS. Housing services include the Housing Opportunities for People with AIDS (HOPWA), long-term rental assistance program, and Section 8 like voucher program which are designed to ensure stable housing for low-income individuals living with HIV/AIDS.

Medical Care Program

Medical Care Program provides primary medical care to families and individuals, regardless of insurance status and ability to pay.

Behavioral Health Programs

The Behavioral Health Program (formerly known as Mental Health Program) includes outpatient mental health counseling and outpatient substance abuse counseling for groups and individuals.

Prevention Program

The Prevention Program tests more than 6,000 individuals at risk for HIV and connects 60% of those who tested positive to HIV medical and support services. This program also provides individual and community-level services to those living with HIV or are at-risk of to reduce their risk for transmitting or acquiring HIV, services include comprehensive counseling services and a client-centered HIV prevention activity that provides intensive ongoing individualized prevention counseling, support and service brokerage to HIV-positive and high-risk HIV-negative persons.

1. **NATURE OF ACTIVITIES (CONTINUED)**

Management and General

The administrative division of Empower U is dedicated to the overall management of the operations of Empower U which consist of common expenses, such as administrative salaries, certain utilities and professional fees, which are allocated to certain programs as indirect costs based on the level of services provided and grant eligibility. This division implements policies, conducts research and development and coordinates fund-raising activities and seeks out new programs.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Statement Presentation

The financial statements are presented utilizing the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. In addition, Empower U recognizes only those contributed services which are provided by individuals possessing "specialized skills".

The net asset categories as reflected in the accompanying financial statements are as follows:

Unrestricted

Net assets which are free of donor-imposed restrictions, which include all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily Restricted

Net assets whose use by Empower U is limited by donor-imposed stipulations, which can be fulfilled or removed by actions of Empower U pursuant to those stipulations. As of March 31, 2015, there are no temporarily restricted net assets.

Permanently Restricted

Net assets required to be permanently maintained and whose use by Empower U is limited by donor-imposed restrictions. As of March 31, 2015, there are no permanently restricted net assets.

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 and the reported amounts of revenues, support and expenses during the period. Actual results could differ from those estimates. Significant estimates by management include the determination of the allowance for doubtful accounts. In addition, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants

Revenue from cost reimbursable grants and contracts is recorded to the extent of expenses incurred applicable to the grant or contract. Any difference between expenses incurred and the total funds received (not to exceed the grant or contract maximum) is recorded as a receivable or an advance, whichever is applicable. Revenue from other grants is recognized on an accrual basis as earned according to the provisions of the grant. Revenue recognized from these grants is based on management's interpretation of the relevant terms and conditions. Compliance with such terms and conditions is subject to government audits.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and nature of donor restrictions. Under U.S. generally accepted accounting principles, contributions that are restricted by the donor are reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the restriction. Restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted.

Third-party Reimbursement for Services

Empower U has agreements with third-party payors that provide for payments to Empower U at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Third-party reimbursement for services and patient accounts receivable are reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. For the years ended March 31, 2015, third-party reimbursement for services revenue was approximately \$137,794.

Medicare

Empower U participates in the federal Medicare program. Outpatient care services rendered to Medicare beneficiaries are reimbursed at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Outpatient services related to Medicare beneficiaries are reimbursed based upon a prospective reimbursement methodology. Empower U is paid for reimbursable services at a tentative rate with final settlement determined after submission of annual cost reports by Empower U and audits by the Medicare fiscal intermediary. Empower U's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review. As of March 31, 2015, the Medicare fiscal intermediary has not conducted an audit.

It is management's opinion that settlements of outstanding Medicare cost reports, when received, will not vary materially from the estimated amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Medicaid

Outpatient services rendered to Medicaid program beneficiaries are paid based upon a cost reimbursement methodology subject to certain ceilings. Empower U is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by Empower U, and audits by the Medicaid fiscal intermediary. As of March 31, 2015, the Medicaid fiscal intermediary has not conducted an audit.

In addition to the tentative payments received by Empower U for the provision of health care services to Medicaid beneficiaries, the State of Florida provides supplemental Medicaid and disproportionate share payments to reflect the additional costs associated with treating the Medicaid population in Florida. These amounts are reflected in net patient service revenue in the accompanying basic statements of activities and changes in net assets. Empower U's Medicaid interim rates are based on the most recent "as filed" Medicare/Medicaid cost report.

It is management's opinion that settlements of outstanding Medicaid cost reports, when received, will not vary materially from the estimated amounts.

Other Third-Party Payors

Empower U has also entered into reimbursement agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined per diem rates.

340B Drug Program

Empower U participates in the federal 340B Drug Pricing Program. The 340B Drug Pricing Program requires drug manufacturers to provide outpatient drugs to eligible health care organizations/covered entities at significantly reduced prices.

Accounts Receivable

Accounts receivable are generally reported net of the allowance for doubtful accounts. Empower U's management estimates the allowance for doubtful accounts based on actual collection percentages. Individual accounts are evaluated by staff and reviewed by management to determine if all reasonable billing and collection efforts have been made before they are written off. As of March 31, 2015, there was no reserve recorded against accounts receivable.

Cash and Cash Equivalents

For purposes of reporting cash flows, Empower U considers all highly liquid investments with initial maturity of three months or less to be cash equivalents. There are no cash equivalents at March 31, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

Purchases of capital assets are recorded at cost. Normal repairs and maintenance are charged to expense as incurred. Depreciation is recorded as an expense of Unrestricted Net Assets and is computed on the straight-line method over 5-30 year estimated useful lives. Empower U capitalizes assets with a cost greater than \$5,000 and a useful life greater than one year. There are no restricted capital assets at March 31, 2015.

Income Taxes

The Internal Revenue Service has determined that Empower U is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Empower U evaluates all significant tax position as required by generally accepted accounting principles in the United States. As of March 31, 2015, Empower U does not believe that it has taken any tax position that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. Empower U's federal tax returns are currently open for examination by the Internal Revenue Service. Statute of limitation is generally three years.

Date of Management review

Empower U has evaluated subsequent events through April 28, 2016, which is the date that the financial statements were available to be issued.

3. CONCENTRATION OF CREDIT RISK

During the year ended March 31, 2015, Empower U received approximately 43% of its revenues through three federal awards. In addition, as of March 31, 2015, approximately 39% are due from these federal agencies. It is reasonably possible that in the near term these programs could cease, which could cause a severe impact on Empower U. Empower U does not expect that the support from these federal agencies will be lost in the near term.

In addition, 21% of revenues are from a third-party payor making up approximately 39% of the outstanding receivables at March 31, 2015. This concentration makes Empower U vulnerable to a near-term severe impact, should this relationship be terminated.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Empower U's financial instruments are cash, accounts payable and accrued liabilities. The recorded values of cash, accounts payable and accrued liabilities approximate their fair values based on their short term nature.

5. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2015 are as follows:

Apartment building	\$ 415,114
Office Furniture and equipment	4,230
Vehicles	69,194
Accumulated Depreciation	<u>(36,726)</u>
	<u>\$ 451,812</u>

Depreciation expense was \$13,627 for the years ended March 31, 2015.

6. GRANTS

Empower U records federal and state grants received directly and passed through other organizations as funding from the primary funding source. Below is a detail of federal awards by funding source:

Funding Source

Federal Government

The Center for Disease Control and Prevention – HIV Prevention Activities	\$ 391,666
City of Miami – “HOPWA”	368,206
Consolidated Health Centers	771,943
Health Resources and Services Administration – “ARTAS”	123,200
The Center for Disease Control and Prevention – High Impact Prevention	350,000
The Center for Disease Control and Prevention – MSM/Transgender Prevention	85,814
Ryan White	302,670
Others	<u>1,154</u>
Total Federal Government	<u>\$ 2,394,653</u>

7. RELATED PARTIES

A member of management made an initial noninterest bearing loan to Empower U during fiscal year 2013 totaling \$30,000 with additional loan amounts amounting to \$40,000 which were made during fiscal years 2014 and 2015 collectively. The total amounts of these loans were paid in full during fiscal year 2015. At March 31, 2015, no loans were outstanding to this related party.

8. COMMITMENTS

Empower U leases space for certain programs under operating leases expiring in August 2018 and leases copy machines under various terms ranging from 39 to 60 months expiring on various dates. Rent expenses were approximately \$133,446 for 2015.

Future lease payments related to these commitments are as follows:

<u>Year</u>	<u>Minimum Lease Payment</u>
2016	\$ 220,800
2017	220,800
2018	170,697
2019	65,366
2020	40,298
Thereafter	<u>8,352</u>
	<u>\$ 726,313</u>

9. CONTINGENCIES

Empower U receives funding from insurance companies and other organizations that required compliance with certain provisions stated in their agreements. Failure to comply with these provisions could result in the return of funds to the companies. As disclosed in the schedule of findings and questioned, Empower U appears to be in noncompliance with several requirements under each of its major programs. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

10. BANK LOAN

Empower U entered into a bank loan agreement for the purchase of a van. The loan requires monthly payments of approximately \$266, including interest at a rate of 4.25% per annum, final payment due in February 2020, and it is secured by the vehicle. At March 31, 2015, future maturities of the bank loan are as follows:

<u>Year</u>	
2016	\$ 2,602
2017	2,715
2018	2,832
2019	2,955
2020	<u>1,189</u>
	<u>\$ 12,293</u>

11. LITIGATION SETTLEMENT

Empower U's previous office landlord filed a claim against Empower U to remove property build out and return the property to the original condition. The claim was settled for \$40,000 and is reported within management and general expense in the Statement of Activities and Changes in Net Assets. The settlement requires an initial payment of \$5,000 and noninterest monthly installment of \$1,250 over the course of two years.



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 of
Empower 'U', Inc.
(a nonprofit organization)
Miami, Florida

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 Empower 'U', Inc. ("Empower U") (a nonprofit organization), which comprise the statement of financial position as of March 31, 2015, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Empower U'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 Empower U's internal control. Accordingly, we do not express an opinion on the effectiveness of Empower U's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses and are described as items 2015-004 and 2015-006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Empower U'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002, 2015-003 and 2015-005.

Empower U's Response to Findings

The Empower U's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Empower U's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

GLSC & Company, PLLC

Miami, Florida
April 28, 2016



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors of
Empower 'U', Inc.
(a nonprofit organization)
Miami, Florida

Report on Compliance for Each Major Federal Program

We have audited Empower 'U's ("Empower U") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Empower U's major federal programs for the year ended March 31, 2015. Empower U'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 Empower U'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Empower U'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 Empower U's compliance.

Basis for Qualified Opinion on the Consolidated Health Centers and MSM/Transgender Prevention/High Impact Prevention Programs

As described in the accompanying schedule of findings and questioned costs, Empower U did not comply with requirements regarding CFDA 93.224/93.527 Consolidated Health Centers as described in finding numbers 2015-001 for Eligibility. In addition, Empower U did not comply with requirements regarding CFDA 93.940 HIV Prevention Activities as described in findings 2015-002 for Matching, Level of Effort, Earmarking and 2015-003 for Reporting. Compliance with such requirements is necessary, in our opinion, for Company to comply with the requirements applicable to that program.

Qualified Opinion on the Consolidated Health Centers and MSM/Transgender Prevention/High Impact Prevention Programs

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph, Empower U complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs for the year ended March 31, 2015.

To the Board of Directors of
Empower 'U', Inc.
(a nonprofit organization)

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2015-005. Our opinion on each major federal program is not modified with respect to this matters.

Empower U's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Empower U'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 Empower U 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 Empower U'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 OMB Circular A-133, 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 Empower U'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 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 identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002, 2015-003, 2015-004 and 2015-006 that we consider to be material weaknesses.

Empower U's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Company'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

GLSC & Company, PLLC

Miami, Florida
April 28, 2016

EMPOWER 'U', INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2015

Federal/State Agency, Pass-through Entity	Dates of Service	CFDA Number	Contract Number	Expenditures
Department of Health and Human Services				
Centers for Disease Control and Prevention: HIV Prevention Activities Non-Governmental Organizations Based	(07/01/2013-06/30/2014) (07/01/2014-06/30/2015)	93.939 93.939	5U65PS002473-03 5U65PS002473-04	\$ 110,740 <u>290,604</u>
Subtotal				<u>401,344</u>
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care Centers) Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program	(11/01/2013-01/31/2015) (02/01/2015-01/31/2016)	93.224/ 93.527 93.224/ 93.527	H80CS26590 H80CS26590	727,813 <u>49,549</u>
Subtotal				<u>777,362</u>
Pass-Through Florida Department of Health				
For Centers for Disease Control and Prevention				
HIV Prevention ActivitiesHealth Department Based: MSM/Transgender Prevention	(07/01/2013-06/30/2014) (07/01/2014-06/30/2015)	93.940 93.940	CODFS CODFS	28,114 <u>77,555</u>
HIV Prevention ActivitiesHealth Department Based: High Impact Prevention (HIP)	(01/01/2014-12/31/2014) (01/01/2015-12/31/2015)	93.940 93.940	CODHQ CODHQ	259,665 <u>64,184</u>
Subtotal				<u>429,518</u>
For Health Resources and Services Administration				
HIV Care Formula Grants: Minority AIDS Initiative Anti-Retroviral Treatment and Access to Services (ARTAS)	(04/01/2014-03/31/2015)	93.917	CODCG	<u>123,200</u>
Total Pass-Through Florida Department of Health				<u>552,718</u>
Pass-Through Miami Dade County				
HIV Emergency Relief Grants: Ryan White Part A / Minority AIDS Initiative	(03/01/2014-02/28/2015) (03/01/2015-02/29/2016)	93.914 93.914	- -	220,277 <u>12,093</u>
Total Pass-Through Miami Dade County				<u>232,370</u>
Total U.S. Department of Health and Human Services				<u>1,963,794</u>
U.S. Department of Housing and Human Services				
Pass-Through City of Miami				
Housing Opportunities for Persons with AIDS (HOPWA)	(04/01/2014-03/31/2015)	14.241	-	<u>368,017</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 2,331,811</u>

See Notes to Schedule of Expenditures of Federal Awards

**EMPOWER 'U', INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2015**

NOTE A - SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

Federal Awards Programs

All federal grant operations of Empower 'U', Inc. are included in the scope of the Office of Management and Budget (OMB) Circular A-133 audit (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Circular A-133 Compliance Supplement (Revised March 2014, the "Compliance Supplement"). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant programs noted below. These programs represent all Federal awards and other grants with fiscal year 2015 cash and noncash expenditures in excess of \$500,000 that ensure coverage of at least 50 percent of federally granted funds. Actual coverage is approximately 52 percent of total cash and noncash federal program expenditures.

<u>Major Federal Program Description</u>	<u>Federal CFDA Number</u>	<u>Fiscal 2015 Expenditures</u>
Consolidated Health Centers	93.224/93.527	\$ 777,362
MSM/Transgender Prevention/ High Impact Prevention	93.940	\$ 429,518

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes all Federal grants to Empower "U", Inc. that had activity during the fiscal year ended March 31, 2015. The schedule is presented on the accrual basis of accounting in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Contingency

The grant revenue amounts received are subject to audit and adjustment. If any expenditure is disallowed by the grantor agency as result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of Empower 'U', Inc. As disclosed in the schedule of findings and questioned costs, Empower 'U', Inc. appears to be in noncompliance with the requirements under its major programs. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE C - AUDITS PERFORMED BY OTHER ORGANIZATIONS

During the fiscal year ended March 31, 2015, Empower 'U', Inc. had several monitoring reports on various programs. As a result of the audits, there were various findings that included but are not limited to the following:

- Program requirement for which all staffing should be within Empower U's Credentialing and Privileging Policy,
- Board of Directors meet at a minimum once a month, implementation of a sliding fee discount schedule,
- Scope of services requirements
- Billing and collections
- Annual budget requirements
- Data reporting requirements
- After-hours coverage
- Admitting privileges

None of the findings resulted in any cost being questioned by the grantor and Empower U responded to these findings and has submitted corrective action plan addressing all the issues noted in the reports.

**EMPOWER 'U', INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2015**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the basic financial statements of Empower 'U', Inc.
2. There were material weaknesses relating to the audit of the basic financial statements reported in the independent auditors' report on internal control over financial reporting and compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*. The audit did disclose noncompliance that is material to the financial statements.
3. There were material weaknesses on internal control over compliance reported in the independent auditors' report on compliance for each major program and on internal control over compliance in accordance with OMB Circular A-133, see schedule of findings and questioned costs.
4. The auditors' report on compliance for the major federal programs for Empower 'U', Inc. expresses a modified opinion.
5. Audit findings relative to the major federal programs for Empower 'U', Inc. are reported in Parts C. and D. of this Schedule.
6. The programs tested as major programs include:

<u>Major Federal Program Description</u>	<u>Federal CFDA Number</u>	<u>Fiscal 2015 Expenditures</u>
Consolidated Health Centers	93.224/93.527	\$ 777,362
MSM/Transgender Prevention/ High Impact Prevention	93.940	\$ 429,518

7. Dollar threshold to distinguish Type A and Type B Programs \$ 300,000
8. Empower 'U', Inc. was determined not to be a low-risk audit pursuant to OMB Circular A-133.

EMPOWER 'U', INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(Continued)

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

See findings 2015-004 and 2015-006.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS AUDIT

Department of Health and Human Services Consolidated Health Center

FINDING 2015-001: Eligibility for sliding fee discount

Criteria: Policies and procedures should be in place to ensure completeness of patient files.

Condition: During our testing of eligibility, we noted that for 38 of the 40 files selected for testing, no evidence of patient eligibility for sliding fee discount was noted. In addition, the remaining 2 files of the 40 files selected for testing were not available for testing.

Effect: It appears that Empower 'U', Inc. does not have effective controls over patient files for patient eligibility regarding sliding fees.

Cause: During the year, it appears that Empower 'U', Inc. did not properly monitor nor did they properly determine eligibility of patient.

Recommendation: We recommend that procedures be implemented requiring evidence of patient eligibility for sliding fee discount as well as proper monitoring of patient files.

Management's response: The Financial Policies and Procedures Manual/Medical Center Billing and Collections, FFP-SF 003 'Financial Eligibility for Sliding Fee Discount Application. Procedure #4' states that Patients are allowed to be seen without supporting documents for their initial visit. However, for files that are reviewed for returning patients, Empower U will implement procedures to ensure all patients will be assessed for financial eligibility during the intake process. Patients who are at or below 200% of the FPG will be given an application to apply for a discount fee. Their FPG level, SFDS eligibility status (pay class category) and charges for various services corresponding to that the level will be applicable. The financial assessment and eligibility will be documented in the patient's file along with the supporting financial documents. If a patient chooses to not provide information that the health center requires for assessing their income and family size, after being informed that they may qualify for sliding fee discount, they will be considered ineligible for such discounts, which will be documented within their file.

Department of Health and Human Services HIV Prevention

FINDING 2015-002: Grant Deliverables

Criteria: HIV Prevention grant agreement requires several monthly and quarterly minimum deliverables.

Condition: During our testing of grant deliverables, we noted that for 2 of the 8 months selected for testing, minimum enrollment requirements into Comprehensive Risk Counseling and Services per month were not met and 3 of the 8 months selected for testing, minimum condom distribution amounts were not met.

EMPOWER 'U', INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(Continued)

Effect: It appears that Empower 'U', Inc. does not have the proper procedures in place to ensure minimum deliverables are being met which resulted in noncompliance.

Cause: During the year, it appears that Empower 'U', Inc. did not have proper controls over minimum grant deliverables.

Recommendation: We recommend that procedures be implemented to properly monitor minimum grant deliverables on a monthly and quarterly basis.

Management's response: Empower U, Inc. does monitor grant deliverables. They are monitored by both the Prevention Program Manager and the CEO. However, circumstances sometimes occur where deliverables are not met, due to a variety of reasons. If the reason is one that can be remedied to avoid under-performing on deliverables, Empower U will take steps to mitigate (e.g. additional staff training, closer supervision, and additional work hours). However, some circumstances may be beyond the organization's control. In either situation, per the contract agreement, the Florida Department of Health attached financial penalties when the deliverables are not met and the contract has contingency to reduce payment requests accordingly.

Department of Health and Human Services HIV Prevention

FINDING 2015-003: Grant Reporting

Criteria: HIV Prevention grant agreements require monthly program progress reports and quarterly expenditure reports which are due within a certain amount of days following the month or quarter end.

Condition: During our testing of grant reporting, we noted that for 4 of the 8 months selected, monthly reports were not submitted within the allowable time. In addition, no evidence of quarterly reports were available for testing.

Effect: It appears that Empower 'U', Inc. does not have the proper procedures in place to ensure reporting requirements are being met.

Cause: During the year, it appears that Empower 'U', Inc. did not have proper controls over reporting requirements.

Recommendation: We recommend that procedures be implemented to properly monitor monthly and quarterly report due dates for timely submission.

Management's response: Empower U, Inc. has established the following procedure to ensure timely submission of required reports, which will be put into place immediately. Persons assigned to complete such reports will be required to submit them to the CEO for review no less than 2 business day prior to their submission deadline. The reports will be signed by the CEO. Electronic copies with the CEO's signature and date signed will be retained as documentation of the report and its submission date.

FINDING 2015-004: Segregation of duties

Condition: Empower 'U', Inc. has company one credit card which 4 individuals within management are authorized to use and the corresponding monthly statement does not appear to be reviewed prior to payment.

EMPOWER 'U', INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(Continued)

Criteria: Internal control requires the segregation of these duties.

Effect: Inadequate segregation of duties may cause an error related to cash disbursements and could go undetected by Empower 'U', Inc. in the ordinary course of performing their assigned functions.

Cause: Inadequate design of internal control.

Recommendation: We recommend that the credit card statements are properly reviewed by management other than the individual card holder prior to payment.

Management's response: Credit card statements are reviewed on a monthly basis by the CFO/Director of Administration. Effective with the next statement that is received after the receipt of this audit, the CFO/Director of Administration will sign monthly statements to indicate that they have been reviewed.

FINDING 2015-005: Timely filing of the Federal Single Audit

Condition: Empower 'U', Inc. did not file their completed Single Audit report for the year ended March 31, 2015, within the required 9 months from year-end.

Criteria: Pursuant to OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations, Empower 'U', Inc. is required to submit a completed single audit report within nine months after the end of its fiscal year.

Cause: For the year ended March 31, 2015, the accounting records were not closed in time for timely filing of the single audit reports.

Effect: Failure to comply with the reporting requirements could result in a reduction or loss of Federal funds.

Recommendation: We recommend that Empower 'U', Inc. take measures to ensure that the Single Audit information is compiled and audited within the required time frame

Management's response: : Empower U, Inc. will ensure that all future annual audits will be submitted in a timely manner by taking the following steps:

1. Ensuring that the books for the fiscal year being audited are closed prior to the start of the audit.
2. Scheduling the commencement of the audit no later than July 1
3. Empower U will hold the auditing firm accountable to the deadlines by establishing time frames and cut off dates within the audit agreement.
4. Ensuring that back up documentation is properly filed, so that it is easily accessible, so that the audit firm received it within 72 hours.

FINDING 2015-006: Internal Control over Cash Disbursement

Condition: During our audit, invoices requested were not available for our testing.

Criteria: Internal control requires that all disbursements be supported by adequate documentation.

EMPOWER 'U', INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(Continued)

Effect: Management was unable to produce complete invoice documentation for audit testing.

Cause: Lack of internal controls over disbursement preparation and filing.

Recommendation: We recommend that each cash disbursement be supported by its corresponding documentation including; the vendor invoice, purchase order or authorization for payment, a copy of the check stub and receiving documentation, if applicable. In addition, we recommend management file each completed invoice by vendor.

Management's response: Empower U, Inc. has developed an electronic filing system where invoices and check or online payments are scanned together. Because not all invoices have yet to be scanned, some are still in hard copy form, which may have been why the invoices were not available for review. The fiscal staff is working to ensure all invoices are properly scanned and systematically filed within 90 days of the receipt of this audit.

D. STATUS OF PRIOR YEAR'S FINDINGS ON A MAJOR FEDERAL AWARDS

1. No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs.
2. No corrective action plan is required because there were no findings required to be reported under the federal Single Audit Act.