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, 2016

GLSC & COMPANY, PLLC
certified public accountants

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, 2016

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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, 2016, 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.

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, 2016, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2017, 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
February 20, 2017

EMPOWER 'U', INC.
(a nonprofit organization)
STATEMENT OF FINANCIAL POSITION
March 31, 2016

ASSETS		
Cash	$	11,147
Grants receivable		564,807
Accounts receivable		188,302
Property and equipment - net		553,832
Deposits and other assets		80,839
TOTAL ASSETS	$	1,398,927
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$	159,432
Payroll and other liabilities		251,660
Tenant security deposits		4,749
Bank loan		9,096
Settlement for litigation		6,250
TOTAL LIABILITIES		431,187
NET ASSETS		
Unrestricted		967,740
TOTAL LIABILITIES AND NET ASSETS	$	1,398,927

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, 2016

	Unrestricted
REVENUES AND OTHER SUPPORT:	
Grants:	
Federal Government	$ 2,371,728
United Way Allocation	59,037
Other revenues:	
Clinic income	2,679,579
Other grants and contributions	261,040
Rental income	50,304
Fundraising	17,750
Miscellaneous income	7,224
Total revenues and other support	5,446,662
PROGRAM EXPENSES:	
Care connection	175,785
Case management	293,673
Housing	403,602
Medical Care	3,075,559
Prevention	778,530
Other programs	17,846
Total program expenses	4,744,995
Management and general	397,857
Fundraising	10,891
Total expenses	5,153,743
TOTAL CHANGE IN NET ASSETS	292,919
NET ASSETS AT BEGINNING OF YEAR (AS RESTATED)	674,821
NET ASSETS AT END OF YEAR	$ 967,740

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

EMPOWER 'U', INC.
(a nonprofit organization)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 292,919
Adjustments to reconcile change in net assets to net cash	
(used in) by operating activities:	
Bad debt expense	454,882
Depreciation	32,125
(Increase) Decrease in:	
Grants receivable	(311,312)
Accounts receivable	(470,032)
Deposits and other assets	(8,531)
Increase (Decrease) in:	
Accounts payable	(44,667)
Payroll liabilities and other liabilities	18,939
Tenant security deposits	1,697
Settlement for litigation	(15,000)
Total adjustments	(341,899)
Net Cash Used In Operating Activities	(48,980)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(92,501)
Net Cash Used In Investing Activities	(92,501)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payment of bank loan	(3,197)
Net Cash Used In Financing Activities	(3,197)
NET DECREASE IN CASH	(144,678)
CASH AT BEGINNING OF YEAR	155,825
CASH AT END OF YEAR	$ 11,147
SUPLEMENTAL NONCASH INVESTING ACTIVITIES	
Amounts accrued for property and equipment at March 31, 2016	$ 55,338

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

1. NATURE OF ACTIVITIES

Empower "U", Inc. ("Empower "U" or the Organization) is a non-profit comprehensive community health center in the Liberty City area in Miami-Dade County, that provides patient-centered primary medical care and related health services to minorities and their families regardless of a patient's ability to pay in an effort to reduce the disparities in traditionally underserved population. Founded in 1997, Empower "U" today serves nearly 3,000 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, wellness education and housing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Functional Allocation of Expenses

Expenses are classified according to the programs and supporting services for which they were incurred and are reported on a functional basis in the accompanying statement of activities and changes in net assets. The various programs and supporting services of Empower "U" are as follows:

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 programs 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 or ability to pay. Empower U served nearly 3,000 patients during the fiscal year ended March 31, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prevention Program—The Prevention Program tests more than 2,500 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 who are at-risk to reduce their risk for transmitting or acquiring HIV. Services include comprehensive counseling services and a client-centered HIV prevention program that provides intensive ongoing individualized prevention counseling, support and service brokerage to HIV-positive and high-risk HIV-negative persons.

Management and General—The administrative division of Empower "U" is dedicated to the overall management of the operations of Empower "U" which consists 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

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.

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, 2016.

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, 2016 management determined $454,882 due from Medicaid and other third-party payors was not collectible. Accordingly management wrote off the uncollectible balance. As of March 31, 2016, there was no reserve recorded against accounts receivable.

Property and Equipment

Purchases of capital assets are recorded at cost at the dates of acquisition. 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 $3,000 and a useful life greater than one year. There are no restricted capital assets at March 31, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

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, 2016, 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, 2016, there are no permanently restricted net assets.

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.

Net Patient Service Revenue and Patient Receivables

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2016, the Medicare fiscal intermediary has not conducted an audit.

Management believes that settlements of outstanding Medicare cost reports, when received, will not vary materially from the estimated amounts.

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, 2016, 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 statement 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.

Management believes 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.

Net patient service revenue before the provision for uncollectible accounts by major payor source for the year ended March 31, 2016 is as follows:

Medicare	$ 42,500	6%
Medicaid	477,706	74%
Managed care and commercial	95,633	15%
Self-pay	33,688	5%
	$ 649,527	100%

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 positions as required by generally accepted accounting principles in the United States. As of March 31, 2016, 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 after the balance sheet date of March 31, 2016 through February 20, 2017, which is the date that the financial statements were available to be issued.

3. CONCENTRATION OF CREDIT RISK

During the year ended March 31, 2016, Empower "U" received approximately 28% of its revenues through three federal awards. In addition, as of March 31, 2016, approximately 35% of the grants receivable is 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, 33% of revenues are generated through one third-party payor in the 340B program. Approximately 21% of the outstanding accounts receivable at March 31, 2016 is due from the 340B third-party payors. 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 payroll and other liabilities approximate their fair values based on their short term nature.

5. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2016 are as follows:

Apartment building	$ 415,114
Office Furniture and equipment	138,375
Vehicles	69,194
Accumulated Depreciation	(68,851)
	$ 553,832

Depreciation expense was $32,125 for the year ended March 31, 2016.

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:

Federal Government	
Health Resources and Services Administration	$ 767,657
Miami-Dade County Health Department	559,893
City of Miami	393,032
The Center for Disease Control and Prevention	366,502
Miami Dade County	284,644
	$ 2,371,728

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 loans amounting to $40,000, collectively, made during fiscal years 2014 and 2015. The total amounts of these loans were paid in full during fiscal year 2015. At March 31, 2016, no loans were outstanding to this related party. Subsequent to March 31, 2016, Empower "U" borrowed $30,000 from a member of management and repaid the loan within one month. The loan was unsecured, due on demand with interest at a rate of 10% per annum.

8. COMMITMENTS

Empower "U" leases space for certain programs under operating leases, which begin to expire in August 2017 and leases copy machines under various terms ranging from 39 to 60 months expiring on various dates. Rent expense for the year ended March 31, 2016 was approximately $216,620.

Future lease payments related to these commitments are as follows:

Year Ending March 31	Minimum Lease Payment
2017	$ 265,800
2018	204,957
2019	125,526
2020	104,606
2021	76,254
Thereafter	10,940
	$ 788,083

9. CONTINGENCIES

Empower “U” receives funding from insurance companies and other organizations that require 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 costs, Empower “U” appears to be in noncompliance with certain requirements under 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, with final payment due in February 2020. The loan is secured by the vehicle. At March 31, 2016, future maturities of the bank loan are as follows:

Year	
2017	2,715
2018	2,832
2019	2,955
2020	594
	$9,096

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. During the year ended March 31, 2015, the claim was settled for $40,000. The settlement requires an initial payment of $5,000 and noninterest monthly installment of $1,250 over the course of two years. The balance owed at March 31, 2016 is $6,250.

12. PRIOR PERIOD ADJUSTMENTS

During the year ended March 31, 2016, Empower “U”'s management made various adjustments to restate the net assets balance as of March 31, 2015 as a result of the following misstatements detected in the current year related to the prior year financial statements.

An accrual for compensated absences in the amount of $133,226 has been recorded as of March 31, 2015, which was not previously recorded.

An adjustment was made to capitalize $41,644 of costs related to a capitalizable project as of March 31, 2015, which were incorrectly expensed during the year ended March 31, 2015.

The effect of the adjustments is summarized below:

	Unrestricted net assets
Net assets (as reported), March 31, 2015	$ 766,403
Payroll liabilities and other liabilities	(133,226)
Property and equipment	41,644
Net assets (as restated), March 31, 2015	$ 674,821

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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, 2016, 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 February 20, 2017.

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 noted as items 2015-004, 2016-004, 2016-005 and 2016-006.

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, 2015-003, 2016-001, 2016-002, and 2016-003.

Empower "U"'s Response to Findings

Empower "U"'s response to the 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 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
February 20, 2017

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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.

Opinion on the Consolidated Health Centers and HIV Emergency Relief Grants: Ryan White Part A/Minority AIDS Initiative

In our opinion, 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 each of its major federal programs for the year ended March 31, 2016.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-001, 2016-002 and 2016-003. Our opinion on each major federal program is not modified with respect to these 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 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 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 did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

GLSC & Company, PLLC

Miami, Florida
February 20, 2017

GLSC & COMPANY, PLLC
certified public accountants

EMPOWER "U", INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2016

Federal/State Agency, Pass-through Entity	Dates of Service	CFDA Number	Contract Number	Expenditures
U.S. Department of Health and Human Services				
Centers for Disease Control and Prevention	(07/01/2014-06/30/2015)	93.939	5U65PS002473-05	112,757
HIV Prevention Activities Non-Governmental Organizations Based	(07/01/2015-06/30/2016)	93.939	1U65PS004938-01	200,384
Subtotal				313,141
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 Service under the Health Center Program	(02/01/2015-01/31/2016)	93.224/93.527	H80CS26590	671,734
	(02/01/2016-01/31/2017)	93.224/93.527	H80CS26590	101,419
Subtotal				773,153
Pass-Through Florida Department of Health				
For Centers for Disease Control and Prevention				
	(07/01/2014-06/30/2015)	93.940	CODFS	18,133
HIV Prevention Activities Health Department Based: MSM/Transgender Prevention	(07/01/2015-12/31/2016)	93.940	CODFS	70,003
HIV Prevention Activities Health Department Based: High Impact Prevention (HIP)	(01/01/2015-12/31/2015)	93.940	CODHQ	262,188
	(01/01/2016-12/31/2016)	93.940	CODHQ	57,934
Subtotal				408,258
For Health Resources and Services Administration				
HIV Care Formula Grants: Minority AIDS Initiative Anti-Retroviral Treatment and Access to Services (ARTAS)	(04/01/2015-03/31/2016)	93.917	CODKR	139,675
Total Pass-Through Florida Department of Health				547,933
Pass-Through Miami Dade County				
HIV Emergency Relief Grants: Ryan White Part A / Minority AIDS Initiative	(03/01/2015-02/29/2016)	93.914	BU3EMP25	288,438
	(03/01/2016-02/28/2017)	93.914	BU3EMP26	14,396
Total Pass-Through Miami Dade County				302,834
Total U.S. Department of Health and Human Services				**1,937,061**
U.S. Department of Housing and Urban Development				
Pass-Through City of Miami				
Housing Opportunities for Persons with AIDS (HOPWA)	(04/01/2015-03/31/2016)	14.241	91-03400	393,033
TOTAL EXPENDITURES OF FEDERAL AWARDS				**$ 2,330,094**

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, 2016

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

Federal Awards Programs

The Schedule of Expenditures of Federal Awards (the "Schedule") was prepared in accordance with the OMB Compliance Supplement, which is effective for Single Audits of fiscal years beginning on or after December 26, 2014. The Single Audit was performed in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 2016 cash and noncash expenditures that ensure coverage of at least 40 percent of federally granted funds. Actual coverage is approximately 46 percent of total cash and noncash federal program expenditures.

Major Federal Program Description	Federal CFDA Number	Fiscal 2016 Expenditures
Consolidated Health Centers	93.224/93.527	$ 733,153
HIV Emergency Relief Grants: Ryan White Part A / Minority AIDS Initiative	93.914	$ 302,834

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule includes all Federal grants to Empower "U", Inc. that had activity during the fiscal year ended March 31, 2016. The Schedule is presented on the accrual basis of accounting in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in the 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 – INDIRECT COST RATE

The Organization has elected to use the 10% deminimis indirect cost rate allowed under the Uniform Guidance for certain grants that allow the use of the 10% deminimis indirect cost rate.

NOTE D - AUDITS PERFORMED BY OTHER ORGANIZATIONS

During the fiscal year ended March 31, 2016, Empower "U", Inc. had several monitoring reports on various programs. As a result of the audits, there were various findings. None of the findings resulted in any material cost being questioned by the grantor and Empower "U", Inc. responded to these findings and has submitted corrective action plans addressing the issues identified in the reports.

EMPOWER "U", INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2016

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Empower "U", Inc. were prepared in accordance with GAAP.

2. Three material weaknesses disclosed during the audit of the financial statements are 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*.

3. No instances of noncompliance material to the financial statements of Empower "U", which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.

4. The auditors' report on compliance for the major federal programs for Empower "U", Inc. expresses an unmodified opinion on all major federal programs.

5. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.

6. The programs tested as major programs include:

Major Federal Program Description	Federal CFDA Number	Fiscal 2016 Expenditures
Consolidated Health Centers	93.224/93.527	$ 773,153
HIV Emergency Relief Grants: Ryan White Part A / Minority AIDS Initiative	93.914	$ 302,834

5. The threshold used for distinguishing between Type A and B programs was $750,000.

6. Empower "U", Inc. was determined to not be a low-risk auditee pursuant to the Uniform Guidance.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

See findings 2016-004, 2016-005 and 2016-006.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS AUDIT

Department of Health and Human Services Consolidated Health Center

FINDING 2016-001: Timely submission of the Federal Financial Report

Condition: Empower "U", Inc. did not submit the Federal Financial Report by the specified deadline.

Criteria: Pursuant to the grant conditions, Empower "U", Inc. is required to submit the Federal Financial Report within 90 days of the end of the budget period.

Cause: The Federal Financial Report was not completed and submitted on a timely basis for the grant budget period ended January 31, 2016.

Effect: Failure to comply with the reporting requirements may result in deferral or additional restrictions of future funding decisions.

Recommendation: We recommend that Empower "U", Inc. submit the report to the CEO for review no less than 2 business days prior to the submission deadline and deliver the report at least one day prior to the specified deadline to ensure the report is submitted timely.

Management's response: Per our conversations with the auditors during the audit process, we acknowledge the untimely submission of reports. Management has recognized that the primary reason for this is understaffing. We have determined that 3.25 FTEs should be sufficient to ensure that the financial statements are prepared and correct in enough time to ensure timely submission of reports. We have already engaged Stuart Gladsden, CPA for 10-20 hours per week, as needed and we will be interviewing individuals to fill the vacant Fiscal Assistant position.

HIV Emergency Relief Grants: Ryan White Part A / Minority AIDS Initiative

FINDING 2016-002: Timely submission of reimbursement requests

Condition: Empower "U", Inc. did not submit timely reimbursement requests to OMB as required under the Professional Services Agreement.

Criteria: Pursuant to the Professional Services Agreement, Empower "U", Inc. is required to submit reimbursement requests by the 20^{th} day of the following month.

Cause: During the year ended March 31, 2016, there was one instance detected of a reimbursement request not being filed by the specified deadline.

Effect: Failure to comply with the timing requirements for reimbursement requests may result in delayed payments from the pass-through entity.

Recommendation: We recommend that Empower "U", Inc. submit reimbursement requests at least one day prior to the specified deadline to ensure that reimbursement requests are submitted timely.

Management's response: See the response to 2016-001.

FINDING 2016-003: 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, 2016 in a timely manner.

Criteria: Pursuant to the Uniform Guidance, Empower "U", Inc. is required to submit a completed single audit report within nine months after the end of its fiscal year or 30 days after the completion of the Single Audit, whichever is earlier.

Cause: For the year ended March 31, 2016, the accounting records were not closed in a timely manner to allow for timely completion of the Single Audit.

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

FINDING 2016-004: Failure to record an accrual for compensated absences

Condition: Empower "U", Inc. did not record an accrual for compensated absences within its statement of financial position as of March 31, 2016 and 2015 resulting in a material misstatement of the financial statements. There was no effective internal control in place to prevent the misstatement.

Criteria: In accordance with Accounting Principles Generally Accepted in the United States (GAAP), an accrual should be recorded for compensated absences.

Cause: Finance personnel did not recognize that a liability existed for compensated absences as of March 31, 2016 and 2015.

Effect: The financial statements of Empower "U" may be materially misstated if the accrual for compensated absences is not recorded.

Recommendation: We recommend that finance personnel track the compensated absences for all applicable employees on a monthly basis and adjust the accrual for compensated absences accordingly.

Management's response: As this information has never been requested from us in the past, we did not track it in terms of the monetary liability of accrued PTO (however, we do keep track of the number of PTO that staff has available and the number used). Going forward, we continue to use the spreadsheet that was sent to the auditors which includes a column for the monetary amount of the accrued PTO balance.

FINDING 2016-005: Improper revenue cut-off

Condition: For certain selected grant revenue transactions, grant revenue was not recorded in the proper period for the year ended March 31, 2016, which would have resulted in a material misstatement of grant revenue within the current period. There was no effective internal control in place to prevent the misstatement.

Criteria: In accordance with GAAP, revenue shall be recognized when earned and realizable.

Cause: Finance personnel did not perform a proper review of cut-off of grant revenue during the year ended March 31, 2016.

Effect: The financial statements of Empower "U" may be materially misstated if there is not proper cut-off of revenue.

Recommendation: We recommend that finance personnel review the revenue recognized for each grant on a monthly basis and make any necessary adjustments for proper revenue cut-off.

Management's response: We agree with the auditors' recommendations and will include this as part of the procedures for the monthly closing of the books. This task will be assigned to the contracted accountant, Stuart Gladsden, CPA and then reviewed by the Christine Stroy-Martin, CFO.

FINDING 2016-006: Failure to properly capitalize software development costs

Condition: Empower "U", Inc. did not capitalize certain costs related to software development within its statement of financial position as of March 31, 2016 and 2015 resulting in a material misstatement of the financial statements. There was no effective internal control in place to prevent the misstatement.

Criteria: In accordance with Accounting Principles Generally Accepted in the United States (GAAP), certain software implementation costs should be capitalized and amortized over the expected useful life of the software.

Cause: Finance personnel did not capitalize software costs because the majority of the costs were paid with grant funds.

Effect: The financial statements of Empower "U" may be materially misstated if the costs are improperly expensed.

Recommendation: We recommend that finance personnel review disbursements related to capital assets to ensure capitalizable costs are properly recorded in the financial statements.

Management's response: We agree with the auditors' recommendation and request that auditors provide guidance to the CFO on how to do that so that we can ensure that it is done for FY 2016-2017.

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

Department of Health and Human Services Consolidated Health Center

FINDING 2015-001: Eligibility for sliding fee discount

Condition: Evidence of patient eligibility for sliding fee discount was not maintained in patient files.

Status: Corrective action is in progress.

Management's response: Empower U has implemented new patient forms to use during the patient intake process, which include a section for patient’s ability to pay to help ensure patient’s ability to pay is assessed during the patient encounter. Evidence of the completion of the form was included in certain selected files. Insured patients may refuse to provide information about their income as reimbursement for services will be requested through the patient’s insurance provider. In order to maintain consistent documentation in patient records, Empower U will provide additional training to front desk personnel to ensure forms are completed consistently for each patient and included within the patient’s records.

Department of Health and Human Services HIV Prevention

FINDING 2015-002: Grant Deliverables

Condition: Minimum monthly grant requirements related to minimum enrollment and condom distribution were not met for certain months selected for testing during the year ended March 31, 2015.

Status: Corrective action was taken during the year ended March 31, 2016. This finding will not be repeated.

Department of Health and Human Services HIV Prevention

FINDING 2015-003: Grant Reporting

Condition: Monthly reports were not submitted within the allowable time. In addition, no evidence of quarterly reports was available for testing.

Status: The condition noted in this finding was repeated in fiscal year 2016. Corrective action is in progress.

Management's response: 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 one company 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.

Status: The condition noted in this finding was repeated in fiscal year 2016. Corrective action is in progress.

Management's response: Persons in charge of entering the credit card expenses in the system will be required to keep the receipts for each credit card transaction. The CEO will review receipts copies against the statement before payment is made and will sign monthly statements to indicate that they have been reviewed. Credit Card statement together with the corresponding receipts will be filed as documentation of approval.

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 by the required filing date.

Status: The condition noted in this finding was repeated in fiscal year 2016.

Management's response: Refer to Finding 2016-003.