

**Community Health Action of Staten Island, Inc.**

Financial Statements and  
OMB Circular A-133 Financial Report  
Together with Independent Auditors' Report

June 30, 2010

**Community Health Action of Staten Island, Inc.**

Financial Statements

June 30, 2010

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O'Connor Davies Munns & Dobbins, llp  
ACCOUNTANTS AND CONSULTANTS

## Independent Auditors' Report

### Board of Directors Community Health Action of Staten Island, Inc.

We have audited the accompanying statement of financial position of Community Health Action of Staten Island, Inc. ("Community Health Action") as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Community Health Action's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Community Health Action's 2009 financial statements and, in our report dated February 4, 2010, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Community Health Action's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Health Action as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2011, on our consideration of Community Health Action's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

**Board of Directors**  
**Community Health Action of Staten Island, Inc.**  
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Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Community Health Action taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *OMB Circular A-133* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*O'Connor Davis Hanna & Dobbins, LLP*

New York, New York  
February 7, 2011

**Community Health Action of Staten Island, Inc.**

Statement of Financial Position

June 30, 2010

(with comparative amounts at June 30, 2009)

|   | <u>2010</u>         | <u>2009</u>         |
|---|---------------------|---------------------|
| <b>ASSETS</b>   |                     |                     |
| Current Assets  |                     |                     |
| Cash and cash equivalents                                 | \$ 115,543          | \$ 145,502          |
| Government contracts receivable                           | 748,054             | 883,547             |
| Third party reimbursement receivable                      | 276,106             | 226,751             |
| Other receivables, net                                    | <u>128,127</u>      | <u>64,866</u>       |
| Total Current Assets                                      | 1,267,830           | 1,320,666           |
| Land, building, equipment and leasehold improvements, net | 1,337,668           | 1,400,128           |
| Other assets  | <u>35,208</u>       | <u>32,666</u>       |
|   | <u>\$ 2,640,706</u> | <u>\$ 2,753,460</u> |
| <br><b>LIABILITIES AND NET ASSETS</b>                     |                     |                     |
| Current Liabilities                                       |                     |                     |
| Accounts payable and accrued expenses                     | \$ 40,409           | \$ 66,396           |
| Deferred revenue  | 43,397              | 90,851              |
| Current portion of  |                     |                     |
| Mortgages payable   | 40,419              | 37,883              |
| Note payable  | <u>6,012</u>        | <u>10,148</u>       |
| Total Current Liabilities                                 | 130,237             | 205,278             |
| Accrued vacation  | 181,286             | 188,646             |
| Mortgages payable, net of current portion                 | 413,939             | 455,004             |
| Note payable, net of current portion                      | <u>4,823</u>        | <u>10,894</u>       |
| Total Liabilities   | <u>730,285</u>      | <u>859,822</u>      |
| Net Assets  |                     |                     |
| Unrestricted  | 1,887,921           | 1,768,638           |
| Temporarily restricted                                    | <u>22,500</u>       | <u>125,000</u>      |
| Total Net Assets  | <u>1,910,421</u>    | <u>1,893,638</u>    |
|   | <u>\$ 2,640,706</u> | <u>\$ 2,753,460</u> |

See notes to financial statements

**Community Health Action of Staten Island, Inc.**

Statement of Activities

Year Ended June 30, 2010

(with summarized totals for the year ended June 30, 2009)

|  | 2010                |                           |                     | 2009                |
|--|---------------------|---------------------------|---------------------|---------------------|
|  | Unrestricted        | Temporarily<br>Restricted | Total               | Total               |
| <b>REVENUE AND SUPPORT</b>   |                     |                           |                     |                     |
| Government contract services                                       | \$ 3,683,337        | \$ -                      | \$ 3,683,337        | \$ 3,863,338        |
| Foundation and corporate contributions                             | 276,996             | 22,500                    | 299,496             | 398,955             |
| Individual and other contributions                                 | 71,147              | -                         | 71,147              | 57,068              |
| United Way   | 16,026              | -                         | 16,026              | 9,088               |
| Third party reimbursement  | 1,419,417           | -                         | 1,419,417           | 1,376,977           |
| Special events, net of direct expenses of<br>\$47,741 and \$59,508 | 136,138             | -                         | 136,138             | 147,680             |
| Rental income  | 30,450              | -                         | 30,450              | 18,350              |
| Interest income  | 2,032               | -                         | 2,032               | 6,061               |
| Net assets released from restrictions                              | <u>125,000</u>      | <u>(125,000)</u>          | <u>-</u>            | <u>-</u>            |
| Total Revenue and Support  | <u>5,760,543</u>    | <u>(102,500)</u>          | <u>5,658,043</u>    | <u>5,877,517</u>    |
| <br><b>EXPENSES</b>  |                     |                           |                     |                     |
| Program services   | 4,693,103           | -                         | 4,693,103           | 5,180,461           |
| Management and general   | 782,588             | -                         | 782,588             | 735,674             |
| Fundraising  | <u>165,569</u>      | <u>-</u>                  | <u>165,569</u>      | <u>165,744</u>      |
| Total Expenses   | <u>5,641,260</u>    | <u>-</u>                  | <u>5,641,260</u>    | <u>6,081,879</u>    |
| Change in Net Assets   | 119,283             | (102,500)                 | 16,783              | (204,362)           |
| <br><b>NET ASSETS</b>  |                     |                           |                     |                     |
| Beginning of year  | <u>1,768,638</u>    | <u>125,000</u>            | <u>1,893,638</u>    | <u>2,098,000</u>    |
| End of year  | <u>\$ 1,887,921</u> | <u>\$ 22,500</u>          | <u>\$ 1,910,421</u> | <u>\$ 1,893,638</u> |

See notes to financial statements

**Community Health Action of Staten Island, Inc.**

Statement of Functional Expenses

Year Ended June 30, 2010

(with summarized totals for the year ended June 30, 2009)

|                                | 2010                |                   |                              |                   |                       |                     | 2009                   |                   |                     |                     |
|--------------------------------|---------------------|-------------------|------------------------------|-------------------|-----------------------|---------------------|------------------------|-------------------|---------------------|---------------------|
|                                | Program Services    |                   |                              |                   |                       |                     | Management and General | Fundraising       | Total               | Total               |
|                                | HIV Services        | Behavioral Health | Health Education & Promotion | LGBT Center       | Anti-Poverty Services | Total               |                        |                   |                     |                     |
| Salaries                       | \$ 1,329,034        | \$ 466,682        | \$ 572,312                   | \$ 321,606        | \$ 168,660            | \$ 2,858,294        | \$ 443,456             | \$ 114,274        | \$ 3,416,024        | \$ 3,608,241        |
| Fringe benefits                | 274,643             | 142,144           | 129,360                      | 60,633            | 48,334                | 655,114             | 101,497                | 25,243            | 781,854             | 797,207             |
| Consultants                    | -                   | 21,208            | 15,190                       | 14,150            | -                     | 50,548              | 7,718                  | 1,189             | 59,455              | 66,714              |
| Subcontractors                 | -                   | 39,100            | 6,500                        | -                 | -                     | 45,600              | -                      | -                 | 45,600              | 90,270              |
| Auditing expenses              | 18,157              | 8,318             | 4,236                        | 616               | -                     | 31,327              | 4,673                  | -                 | 36,000              | 35,000              |
| Temporary help                 | -                   | 2,562             | -                            | -                 | -                     | 2,562               | -                      | -                 | 2,562               | 3,328               |
| Peer stipends                  | 3,900               | 660               | 1,271                        | 3,822             | -                     | 9,653               | -                      | -                 | 9,653               | 30,555              |
| Travel                         | 23,524              | 38,831            | 8,661                        | 4,703             | 439                   | 76,158              | 11,629                 | 1,792             | 89,579              | 110,069             |
| Board and staff development    | 2,386               | 3,670             | 80                           | 160               | -                     | 6,296               | -                      | 128               | 6,424               | 8,886               |
| Space costs                    | 226,981             | 77,029            | 94,464                       | 53,083            | 20,223                | 471,780             | 72,037                 | 11,098            | 554,915             | 550,862             |
| Consumable supplies            | 9,871               | 5,746             | 69,200                       | 7,414             | 36,932                | 129,163             | 19,722                 | 3,038             | 151,923             | 181,027             |
| Office supplies                | 17,906              | 6,077             | 7,452                        | 4,188             | 1,595                 | 37,218              | 5,683                  | 876               | 43,777              | 56,757              |
| Equipment rental/leases        | 34,356              | 11,659            | 14,298                       | 8,035             | 3,061                 | 71,409              | 10,904                 | 1,680             | 83,993              | 76,311              |
| Repairs and maintenance        | 11,688              | 3,967             | 4,864                        | 2,733             | 1,041                 | 24,293              | 3,710                  | 572               | 28,575              | 27,126              |
| Auto repairs and maintenance   | 4,050               | 2,722             | 8,834                        | -                 | 2,500                 | 18,106              | -                      | -                 | 18,106              | 10,653              |
| Garage rental                  | 1,300               | 2,200             | 2,261                        | -                 | 1,200                 | 6,961               | 1,039                  | -                 | 8,000               | 9,000               |
| Insurance                      | 15,980              | 5,423             | 6,651                        | 3,737             | 1,424                 | 33,215              | 5,072                  | 781               | 39,068              | 43,317              |
| Printing                       | 1,588               | 65                | 315                          | 480               | 3,060                 | 5,508               | 841                    | 130               | 6,479               | 7,978               |
| Postage and delivery           | 2,334               | 1,718             | 713                          | 1,109             | 110                   | 5,984               | 914                    | 141               | 7,039               | 9,124               |
| Telecommunications             | 39,339              | 13,350            | 16,372                       | 9,200             | 3,505                 | 81,766              | 12,485                 | 1,923             | 96,174              | 114,578             |
| Professional dues and fees     | -                   | -                 | -                            | -                 | -                     | -                   | 9,829                  | 201               | 10,030              | 6,461               |
| Community relations/marketing  | 873                 | -                 | 420                          | -                 | 79                    | 1,372               | 209                    | 32                | 1,613               | 3,980               |
| Publications and subscriptions | 800                 | 1,536             | -                            | -                 | -                     | 2,336               | -                      | -                 | 2,336               | 821                 |
| Furniture/equipment            | 2,830               | 1,539             | -                            | -                 | -                     | 4,369               | 652                    | -                 | 5,021               | 70,984              |
| Advertising and promotions     | -                   | -                 | -                            | -                 | -                     | -                   | -                      | -                 | -                   | 10,675              |
| Classified advertising         | -                   | 538               | -                            | 123               | -                     | 661                 | 99                     | -                 | 760                 | 3,481               |
| Emergency funds                | 1,474               | 370               | -                            | -                 | -                     | 1,844               | -                      | -                 | 1,844               | 1,268               |
| Payroll processing             | 4,378               | 1,486             | 1,822                        | 1,024             | 390                   | 9,100               | 1,389                  | 214               | 10,703              | 10,756              |
| Bank charges                   | -                   | -                 | -                            | -                 | -                     | -                   | 2,257                  | 2,257             | 4,514               | 2,576               |
| Interest expense               | -                   | -                 | -                            | -                 | -                     | -                   | 32,676                 | -                 | 32,676              | 36,728              |
| Real estate taxes expense      | -                   | -                 | -                            | -                 | -                     | -                   | 4,155                  | -                 | 4,155               | 3,934               |
| Depreciation expense           | 23,649              | 9,619             | 10,848                       | 6,681             | 1,669                 | 52,466              | 9,994                  | -                 | 62,460              | 58,813              |
| Bad debt                       | -                   | -                 | -                            | -                 | -                     | -                   | 5,571                  | -                 | 5,571               | -                   |
| Miscellaneous                  | -                   | -                 | -                            | -                 | -                     | -                   | 14,377                 | -                 | 14,377              | 2,930               |
| <b>Total Expenses</b>          | <b>\$ 2,051,041</b> | <b>\$ 868,219</b> | <b>\$ 976,124</b>            | <b>\$ 503,497</b> | <b>\$ 294,222</b>     | <b>\$ 4,693,103</b> | <b>\$ 782,588</b>      | <b>\$ 165,569</b> | <b>\$ 5,641,260</b> | <b>\$ 6,050,410</b> |

See notes to financial statements

**Community Health Action of Staten Island, Inc.**

Statement of Cash Flows

Year Ended June 30, 2010

(with comparative amounts for the year ended June 30, 2009)

|  | <u>2010</u>       | <u>2009</u>       |
|--|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                   |                   |
| Change in net assets   | \$ 16,783         | \$ (204,362)      |
| Adjustments to reconcile change in net assets to net cash<br>from operating activities |                   |                   |
| Depreciation and amortization expense  | 62,460            | 58,813            |
| Changes in operating assets and liabilities:   |                   |                   |
| Government contracts receivable  | 135,493           | 40,595            |
| Third party reimbursement receivable   | (49,355)          | (50,507)          |
| Other receivables  | (63,261)          | (52,502)          |
| Other assets   | (2,542)           | 3,496             |
| Accounts payable and accrued expenses  | (25,987)          | 32,897            |
| Deferred revenue   | (47,454)          | 43,861            |
| Accrued vacation   | (7,360)           | 31,469            |
| Net Cash from Operating Activities   | <u>18,777</u>     | <u>(96,240)</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                   |                   |
| Purchases of property, equipment<br>and leasehold improvements                         | <u>-</u>          | <u>(41,493)</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                   |                   |
| Principal payments of mortgage   | (38,529)          | (44,278)          |
| Principal payments of notes payable  | (10,207)          | (15,282)          |
| Payment of line of credit  | <u>-</u>          | <u>(100,000)</u>  |
| Net Cash from Financing Activities   | <u>(48,736)</u>   | <u>(159,560)</u>  |
| Net Change in Cash and Cash Equivalents  | (29,959)          | (297,293)         |
| <b>CASH AND CASH EQUIVALENTS</b>   |                   |                   |
| Beginning of year  | <u>145,502</u>    | <u>442,795</u>    |
| End of year  | <u>\$ 115,543</u> | <u>\$ 145,502</u> |
| <b>SUPPLEMENTAL INFORMATION</b>  |                   |                   |
| Cash paid for interest   | \$ 32,676         | \$ 36,728         |

See notes to financial statements

## **Community Health Action of Staten Island, Inc.**

### Notes to Financial Statements

#### **1. Organization and Tax Status**

Community Health Action of Staten Island, Inc. (“Community Health Action”) was founded in 1988 and incorporated in 1990. It is a non-profit, community based organization dedicated to improving the lives of individuals, families and communities challenged by health disparities related to poverty, discrimination and lack of access through direct service, education and advocacy.

Community Health Action has been determined to be a non-profit organization exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code.

#### **2. Summary of Significant Accounting Policies**

##### ***Basis of Presentation***

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, Community Health Action’s net assets and changes therein are classified as unrestricted, temporarily restricted or 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 disclosures of contingencies at the date of the financial statements, and revenues and expenses recognized during the period. Actual results could differ from those estimates.

##### ***Cash and Cash Equivalents***

For purposes of the statement of cash flows, Community Health Action considers all highly liquid debt instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

##### ***Allowance for Doubtful Accounts***

Community Health Action provides an allowance for doubtful accounts equal to the estimated collection losses that will be incurred.

## **Community Health Action of Staten Island, Inc.**

### Notes to Financial Statements

#### **2. Summary of Significant Accounting Policies *(continued)***

##### ***Contributions and Unconditional Promises to Give***

Contributions are recognized when the donor makes a promise to give to Community Health Action that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

##### ***Government Contracts Revenue Recognition***

Revenues from government contracts and grants are recognized when costs are incurred or other services are performed.

##### ***Land, Building, Equipment and Leasehold Improvements***

Purchased equipment is recorded at cost. Pursuant to the agreements with funding sources, equipment acquired by Community Health Action with such funds remains the property of the funding sources, and, accordingly, all such expenditures have been recorded as expenses.

##### ***Functional Allocation of Expenses***

A majority of expenses can generally be directly identified with the program or supporting services to which they relate and are charged accordingly. Other expenses are allocated to the various programs and supporting services based on the ratio of direct expense for the function to total direct expense.

##### ***Accounting for Uncertainty in Income Taxes***

Community Health Action recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that Community Health Action had no uncertain tax positions that would require financial statement recognition. Community Health Action is no longer subject to audits by the applicable taxing jurisdictions for periods prior to 2007.

## Community Health Action of Staten Island, Inc.

### Notes to Financial Statements

#### 2. Summary of Significant Accounting Policies *(continued)*

##### *Subsequent Events Evaluation by Management*

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is February 7, 2011.

##### *Prior Year Summarized Comparative Information and Reclassifications*

Information as of and for the year ended June 30, 2009 is presented for comparative purposes only. The notes to the financial statements and certain activity by net asset classification are not included in this report. Accordingly, such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Community Health Action's financial statements as of and for the year ended June 30, 2009, from which the summarized comparative information was derived. Certain items in the fiscal 2009 financial statements have been reclassified for comparative purposes only.

#### 3. Concentration of Credit Risk

Financial instruments that potentially subject Community Health Action to significant concentrations of credit risk consist principally of cash and cash equivalents. At times cash balances held at financial institutions may be in excess of federally insured limits. Community Health Action has not experienced any losses on its cash deposits.

#### 4. Government Contracts Receivable

Government contracts receivable consist of the following as of June 30:

|  | <u>2010</u>       | <u>2009</u>       |
|--|-------------------|-------------------|
| New York State Department of Health  | \$ 460,239        | \$ 374,813        |
| NYU Medical Center   | 75,319            | 180,001           |
| Human Resource Administration (HRA)  | 25,108            | 126,523           |
| Public Health Solutions  | 105,995           | 90,612            |
| Health Research, Inc.  | 47,782            | 46,059            |
| Center for Disease Control   | 15,700            | 39,159            |
| Department of Youth and<br>Community Development   | -                 | 19,873            |
| United States Probation Department<br>Substance Abuse and Mental Health<br>Services Administration | 5,599             | -                 |
|  | <u>12,312</u>     | <u>6,507</u>      |
|  | <u>\$ 748,054</u> | <u>\$ 883,547</u> |

**Community Health Action of Staten Island, Inc.**

Notes to Financial Statements

**5. Other Receivables**

Other receivables consist of the following as of June 30:

|                                      | <u>2010</u>       | <u>2009</u>      |
|--------------------------------------|-------------------|------------------|
| Pledges                              | \$ 1,565          | \$ 5,660         |
| Other                                | <u>152,633</u>    | <u>79,706</u>    |
|                                      | 154,198           | 85,366           |
| Less allowance for doubtful accounts | <u>26,071</u>     | <u>20,500</u>    |
|                                      | <u>\$ 128,127</u> | <u>\$ 64,866</u> |

**6. Other Assets**

Other assets consist of the following as of June 30:

|                   | <u>2010</u>      | <u>2009</u>      |
|-------------------|------------------|------------------|
| Security deposits | \$ 34,623        | \$ 32,156        |
| Prepaid expenses  | <u>585</u>       | <u>510</u>       |
|                   | <u>\$ 35,208</u> | <u>\$ 32,666</u> |

**7. Land, Building, Equipment and Leasehold Improvements**

Land, building, equipment and leasehold improvements consist of the following as of June 30:

|                                    | <u>2010</u>         | <u>2009</u>         |
|------------------------------------|---------------------|---------------------|
| Land                               | \$ 337,800          | \$ 337,800          |
| Building and building improvements | 722,715             | 722,715             |
| Leasehold improvements             | 360,716             | 360,716             |
| Furniture, fixtures and equipment  | 30,800              | 30,800              |
| Transportation equipment           | <u>160,927</u>      | <u>160,927</u>      |
|                                    | 1,612,958           | 1,612,958           |
| Less accumulated depreciation      | <u>275,290</u>      | <u>212,830</u>      |
|                                    | <u>\$ 1,337,668</u> | <u>\$ 1,400,128</u> |

**Community Health Action of Staten Island, Inc.**

Notes to Financial Statements

**8. Bank Line of Credit**

Community Health Action has a \$150,000 line of credit with TD Bank collateralized by a general lien on all assets, maturing January 15, 2010, which was renewed for another year beginning April 20, 2010. As of June 30, 2010 and 2009, there were no borrowings on the line of credit.

**9. Mortgages Payable**

Mortgages payable consists of the following as of June 30:

|  | <u>2010</u>       | <u>2009</u>       |
|--|-------------------|-------------------|
| Mortgage payable in monthly installments of \$4,323 including interest at 6.25% through June 2018. The mortgage is secured by the related property at 2134 Richmond Terrace, Staten Island, New York.      | \$ 323,944        | \$ 354,234        |
| Mortgage payable in monthly installments of \$1,531 including interest at 7.5% through January 2022. The mortgage is secured by the related property at 166 Port Richmond Avenue, Staten Island, New York. | <u>130,414</u>    | <u>138,653</u>    |
| Total Mortgages Payable  | <u>\$ 454,358</u> | <u>\$ 492,887</u> |

The following are the required future annual principal payments on the mortgages payable:

| <u>Fiscal Year</u> |                   |
|--------------------|-------------------|
| 2011               | \$ 40,419         |
| 2012               | 43,125            |
| 2013               | 46,014            |
| 2014               | 49,097            |
| 2015               | 52,388            |
| Thereafter         | <u>223,315</u>    |
|                    | <u>\$ 454,358</u> |

**Community Health Action of Staten Island, Inc.**

Notes to Financial Statements

**10. Note Payable**

Note payable at June 30, 2010, consists of an installment loan secured by vehicles. The note is payable in monthly installments of \$551 including interest at 6.9%. The note matures in April 2012.

The following are the required future annual principal payments on the loans payable:

| <u>Fiscal Year</u> |                  |
|--------------------|------------------|
| 2011               | \$ 6,012         |
| 2012               | <u>4,823</u>     |
|                    | <u>\$ 10,835</u> |

**11. Deferred Revenue**

Deferred revenue consists of the following as of June 30:

|                                     | <u>2010</u>      | <u>2009</u>      |
|-------------------------------------|------------------|------------------|
| Health Research, Inc.               | \$ 35,003        | \$ 35,000        |
| NYS Department of Health            | 4,564            | 41,125           |
| Human Resource Administration (HRA) | 3,830            | 26               |
| Public Health Solutions             | <u>-</u>         | <u>14,700</u>    |
|                                     | <u>\$ 43,397</u> | <u>\$ 90,851</u> |

**Community Health Action of Staten Island, Inc.**

Notes to Financial Statements

**12. Contract Services**

Contract services revenue consists of the following as of June 30:

|   | <u>2010</u>         | <u>2009</u>         |
|---|---------------------|---------------------|
| New York State Department of Health                                   | \$ 1,432,750        | \$ 1,398,198        |
| Public Health Solutions   | 602,305             | 387,003             |
| Substance Abuse and Mental Health Services Administration             | 466,559             | 444,983             |
| New York University Medical Center                                    | 316,136             | 333,283             |
| City of New York HRA/HASA   | 273,009             | 684,908             |
| Center for Disease Control  | 254,054             | 254,054             |
| Health Research, Inc.   | 226,756             | 226,625             |
| NY City Department of Health and Mental<br>Hygiene Prevention Control | 85,000              | 75,000              |
| United States Probation Department                                    | 15,175              | -                   |
| Other   | 5,445               | 2,287               |
| New York State Office of Children & Family Services                   | 5,000               | 14,000              |
| New York City Department of Social Services                           | 1,148               | -                   |
| NYC - Department of Youth & Community Development                     | -                   | 42,997              |
|   | <u>\$ 3,683,337</u> | <u>\$ 3,863,338</u> |

**13. Temporarily Restricted Net Assets**

All temporarily restricted net assets are to be used for the Community Health Action's Lesbian Gay Bisexual and Transgender Center.

**14. Commitment and Contingency**

Community Health Action has leases for office space at various locations which expire at various dates through November 30, 2015. Minimum future lease payments under these agreements are as follows:

| <u>Fiscal Year</u> |                     |
|--------------------|---------------------|
| 2011               | \$ 384,480          |
| 2012               | 379,395             |
| 2013               | 290,713             |
| 2014               | 262,448             |
| 2015               | 268,787             |
| Thereafter         | 111,995             |
|                    | <u>\$ 1,697,818</u> |

## **Community Health Action of Staten Island, Inc.**

### Notes to Financial Statements

#### **15. Pension Plan**

Community Health Action maintains a defined contribution pension plan covering all eligible full-time employees who have completed two years of service. Pension expense amounted to \$60,781 and \$58,945 for the years ended June 30, 2010 and 2009.

#### **16. Economic Dependency**

Community Health Action is licensed by the New York State of Alcoholism & Substance Abuse Services and receives funding from the New York State Department of Health, City of New York HRA/HASA, Public Health Solutions, Substance Abuse and Mental Health Services Administration, New York University Medical Center, Center for Disease Control, Health Research, Inc. to operate as a social service agency. Reimbursement rates for the services provided by Community Health Action are promulgated by these departments and payments for such services are received through various government agencies. Community Health Action is economically dependent on these funds to continue operations.

#### **17. Prior Period Adjustment**

In prior years, the liability for accumulated employee vacation hours was not recognized in the statement of financial position. In 2010, accrued vacation and unrestricted net assets at June 30, 2009 were restated to correct this error. The effect of the adjustment was an increase in liabilities of \$188,646 and a decrease in unrestricted net assets of \$188,646 as of June 30, 2009. The change in net assets for the prior year as previously reported was a decrease of \$172,893. Expenses for the prior year increased by \$31,469 due to the adjustment and the decrease in net assets increased to \$204,362.

**Community Health Action of Staten Island, Inc.**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u>   | <u>Pass-Through<br/>Contract Number/<br/>Identifying Number</u> | <u>CFDA<br/>Number</u> | <u>Federal<br/>Expenditures</u> |
|---|---|------------------------|---------------------------------|
| U.S. Department of Health and Human Services:   |   |                        |                                 |
| Pass-through Health Research, Inc.  |   |                        |                                 |
| HIV Care Formula Grants   | 3437-01   | 93.917                 | \$ 138,191                      |
| HIV Care Formula Grants   | 3437-02   | 93.917                 | 38,144                          |
| HIV Care Formula Grants   | 219-17  | 93.917                 | 37,710                          |
| HIV Care Formula Grants   | 219-18  | 93.917                 | <u>10,907</u>                   |
|   |   |                        | <u>224,952</u>                  |
| Pass-through Health Research, Inc.  |   |                        |                                 |
| HIV Prevention Activities_Health Department Based   | 3914-01   | 93.940                 | 1,872                           |
| HIV Prevention Activities_Health Department Based   | 3940-01   | 93.940                 | <u>13,036</u>                   |
|   |   |                        | <u>14,908</u>                   |
| Pass -through New York City Department of Health<br>Public Health Solutions                         |   |                        |                                 |
| HIV Emergency Relief Project Grants   | 98-CMS-630  | 93.914                 | 93,233                          |
| HIV Emergency Relief Project Grants   | 09-MCM-630  | 93.914                 | <u>283,500</u>                  |
|   |   |                        | <u>376,733</u>                  |
| Pass-through Center for Disease Control and Prevention  |   |                        |                                 |
| HIV Prevention Activities_Non-Governmental<br>Organization Based                                    | 5 U65 PS223890-04   | 93.939                 | 254,054                         |
| Pass-through Substance Abuse and Mental Health<br>Services Administration                           |   |                        |                                 |
| Substance Abuse and Mental Health Services  | 1H79T1018650-01   | 93.243                 | 466,559                         |
| Pass-through New York University School of Medicine   |   |                        |                                 |
| Coordinated Services and Access to Research<br>For Women, Infants, Children and Youth               | 5 H12 HA03805-06-01   | 93.153                 | 9,470                           |
| Coordinated Services and Access to Research<br>For Women, Infants, Children and Youth               | 5 H12 HA00019-17-00   | 93.153                 | <u>160,205</u>                  |
|   |   |                        | <u>169,675</u>                  |
| Pass-through NYC Department of Social Services<br>Human Resources Administration                    |   |                        |                                 |
| Temporary Assistance for Needy Families   | 2008 - 0001279/0027356  | 93.558                 | <u>12,995</u>                   |
| Total U.S. Department of Health and Human Services  |   |                        | <u>1,519,876</u>                |
| U.S. Department of Homeland Security  |   |                        |                                 |
| Pass-through United Way of America  |   |                        |                                 |
| Emergency Food and Shelter National Board Program   | 24-6314-00-640  | 97.024                 | 4,291                           |
| Emergency Food and Shelter National Board Program,<br>American Recovery and Reinvestment Act (ARRA) | 631400-640  | 97.114                 | <u>11,100</u>                   |
| Total U.S. Department of Homeland Security  |   |                        | <u>15,391</u>                   |
| Total Expenditures of Federal Awards  |   |                        | <u>\$ 1,535,267</u>             |

See independent auditors' report

**Community Health Action of Staten Island, Inc.**

Note to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

**Note A – Scope of Audit Pursuant to OMB Circular A-133**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant expenditures of Community Health Action of Staten Island, Inc., for the year ended June 30, 2010 and is presented on the accrual basis of accounting. The information in this schedule is presented 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.



O'Connor Davies Munns & Dobbins, llp  
ACCOUNTANTS AND CONSULTANTS

**Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors  
Community Health Action of Staten Island, Inc.

We have audited the financial statements of Community Health Action of Staten Island, Inc. ("Community Health Action") as of and for the year ended June 30, 2010, and have issued our report thereon dated February 7, 2011. 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.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered Community Health Action's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Health Action's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Community Health Action's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Community Health Action's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Community Health Action in a separate letter dated February 7, 2011.

This report is intended solely for the information and use of the Board of Directors, management, others within Community Health Action, and the U.S. Department of Health and Human Services and other federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*O'Connor Davies Hanna & Dobbins, LLP*

New York, New York  
February 7, 2011



O'Connor Davies Munns & Dobbins, llp  
ACCOUNTANTS AND CONSULTANTS

**Report on Compliance With Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control Over Compliance in Accordance With  
OMB Circular A-133**

**Independent Auditors' Report**

**Board of Directors  
Community Health Action of Staten Island, Inc.**

***Compliance***

We have audited Community Health Action of Staten Island, Inc.'s ("Community Health Action") 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 Community Health Action's major federal programs for the year ended June 30, 2010. Community Health Action's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Community Health Action's management. Our responsibility is to express an opinion on Community Health Action's compliance based on our audit.

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. 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 Community Health Action'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. Our audit does not provide a legal determination of Community Health Action's compliance with those requirements.

In our opinion, Community Health Action of Staten Island, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

***Internal Control Over Compliance***

Management of Community Health Action is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Community Health Action's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Community Health Action'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within Community Health Action and the U.S. Department of Health and Human Services and other federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*O'Connor Davis Munne & Dobbins, LLP*

New York, New York  
February 7, 2011

**Community Health Action of Staten Island, Inc.**

Schedule of Findings and Questioned Costs

June 30, 2010

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified  
Internal control over financial reporting:  
Material weakness(es) identified? \_\_\_ yes X no  
Significant deficiency(ies) identified that are not  
considered to be material weaknesses? \_\_\_ yes X none reported  
Noncompliance material to financial statements noted? \_\_\_ yes X no

Federal Awards

Internal control over major programs:  
Material weakness(es) identified? \_\_\_ yes X no  
Significant deficiency(ies) identified that are not  
considered to be material weakness(es)? \_\_\_ yes X none reported  
Type of auditors' report issued on compliance  
for major programs: Unqualified  
Any audit findings disclosed that are required  
to be reported in accordance with Section 510(a)  
of Circular A-133? \_\_\_ yes X no

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u>   |
|--------------------|---|
| 93.914             | HIV Emergency Relief Project Grants   |
| 93.153             | Coordinated Services and Access to<br>Research For Women, Infants Children<br>and Youth |

Dollar threshold used to distinguish  
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes \_\_\_ no

Section II - Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2010.

Section III - Federal Award Findings and Questioned Costs

During our audit, we noted no material instances of noncompliance and none of the costs reported in the federal financially assisted programs are questioned or recommended to be disallowed.