Delaware Valley Community Health, Inc.

Financial Statements,
Schedule of Expenditures of Federal Awards, Internal Control and Compliance (With Supplementary Information) and Independent Auditor's Reports

December 31, 2015 and 2014

CohnReznick

Accounting • Tax • Advisory

Delaware Valley Community Health, Inc.

Index

Independent Auditor's Report

To the Board of Directors
Delaware Valley Community Health, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Delaware Valley Community Health, Inc. (the "Center," a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were 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 (CFR) 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 May 25, 2016, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

CohnReznick LLP

New York, New York
May 25, 2016

Delaware Valley Community Health, Inc.

Statements of Financial Position
December 31, 2015 and 2014

Assets

	2015	2014
Current assets		
Cash and cash equivalents	$ 2,621,553	$ 1,783,122
Investments	1,361,159	1,358,802
Patient services receivable, net	1,919,027	1,725,365
Contract services and other grants receivable	80,394	145,379
Other receivable, current portion	22,625	22,571
Inventory	62,411	58,840
Prepaid expenses and other	335,104	442,392
Total current assets	6,402,273	5,536,471
Property and equipment, net	13,237,003	14,074,955
Investment in a limited liability corporation	183,335	6,000
Other receivable - noncurrent portion	-	22,625
Total assets	$ 19,822,611	$ 19,640,051

Liabilities and Unrestricted Net Assets

	2015	2014
Current liabilities		
Accounts payable and accrued expenses	$ 736,397	$ 861,859
Accrued compensation	1,137,272	1,032,174
Current maturities of long-term debt	100,574	97,362
Total current liabilities	1,974,243	1,991,395
Long-term debt, less current maturities	3,299,435	3,400,009
Interest rate swap	46,622	46,193
Total liabilities	5,320,300	5,437,597
Commitments and contingencies	-	-
Unrestricted net assets	14,502,311	14,202,454
Total liabilities and unrestricted net assets	$ 19,822,611	$ 19,640,051

See Notes to Financial Statements.

Delaware Valley Community Health, Inc.

Statements of Activities and Changes in Net Assets
Years Ended December 31, 2015 and 2014

	2015	2014
Unrestricted revenue		
Patient services revenue (net of contractual allowances and discounts)	$ 16,198,614	$ 14,397,385
Provision for bad debts	548,107	410,000
Net patient service revenue less provision for bad debts	15,650,507	13,987,385
DHHS grant revenue	5,367,298	4,954,454
Contract services and other grants	519,020	821,085
In-kind contributions - vaccines	1,400,994	1,107,280
340B Pharmacy	1,467,650	1,383,214
Investment income	188,734	15,978
Other revenue	101,623	155,436
Total unrestricted revenue	24,695,826	22,424,832
Operating expenses		
Salaries and related benefits	16,789,419	16,336,738
Other than personnel services	6,499,284	5,747,277
Interest	120,782	118,422
Total operating expenses	23,409,485	22,202,437
Operating income prior to depreciation and amortization	1,286,341	222,395
Depreciation and amortization	986,055	1,176,814
Operating income (loss)	300,286	(954,419)
Nonoperating activities		
DHHS capital improvements grants	-	8,405
Unrealized loss on interest rate swap	(429)	(15,467)
Total nonoperating activities	(429)	(7,062)
Changes in unrestricted net assets	299,857	(961,481)
Unrestricted net assets, beginning of year	14,202,454	15,163,935
Unrestricted net assets, end of year	$ 14,502,311	$ 14,202,454

See Notes to Financial Statements.

Delaware Valley Community Health, Inc.

Statement of Functional Expenses
Year Ended December 31, 2015

	Program services	General and administrative	Fundraising	Total
Salaries and wages	$ 10,390,017	$ 2,611,799	$ -	$ 13,001,816
Fringe benefits	2,957,737	829,866	-	3,787,603
Consultant and contractual services	661,033	455,915	3,000	1,119,948
Pharmaceuticals	1,801,211	-	-	1,801,211
In-kind contributions - vaccines	1,430,692	-	-	1,430,692
Laboratory and radiology fees	432,773	-	-	432,773
Consumable supplies	502,407	38,347		540,754
Occupancy	352,498	31,209	-	383,707
Professional fees	-	110,911	-	110,911
Insurance	15,089	78,109	-	93,198
Equipment rental and maintenance	141,295	25,106	-	166,401
Telephone	48,293	12,782	-	61,075
Travel, conferences and meetings	15,737	50,042	-	65,779
Dues and subscriptions	11,226	38,193	-	49,419
Printing, publications and postage	31,031	6,521	-	37,552
Training and seminars	82,084	60,860	1,635	144,579
Interest expense	89,178	31,603	-	120,781
Other	20,054	40,607	625	61,286
	18,982,355	4,421,870	5,260	23,409,485
Depreciation and amortization	848,007	138,048	-	986,055
Total functional expenses	$ 19,830,362	$ 4,559,918	$ 5,260	$ 24,395,540

See Notes to Financial Statements.

Delaware Valley Community Health, Inc.

Statement of Functional Expenses
Year Ended December 31, 2014

	Program services	General and administrative	Fundraising	Total
Salaries and wages	$ 10,015,769	$ 2,636,368	$ 5,150	$ 12,657,287
Fringe benefits	2,864,697	810,240	4,514	3,679,451
Consultant and contractual services	617,748	322,035	-	939,783
Pharmaceuticals	1,564,042	-	-	1,564,042
In-kind contributions - vaccines	1,107,280	-	-	1,107,280
Laboratory and radiology fees	391,513	-	-	391,513
Consumable supplies	472,556	39,121	5	511,682
Occupancy	346,771	27,108	-	373,879
Professional fees	-	78,161	-	78,161
Insurance	14,568	73,247	-	87,815
Equipment rental and maintenance	113,681	27,292	-	140,973
Telephone	142,561	41,431	138	184,130
Travel, conferences and meetings	9,545	53,163	-	62,708
Dues and subscriptions	11,227	40,810	-	52,037
Printing, publications and postage	29,896	10,512	15	40,423
Training and seminars	92,701	70,877	4,319	167,897
Interest expense	87,577	30,845	-	118,422
Other	32,213	11,141	1,600	44,954
	17,914,345	4,272,351	15,741	22,202,437
Depreciation and amortization	1,012,060	164,754	-	1,176,814
Total functional expenses	$ 18,926,405	$ 4,437,105	$ 15,741	$ 23,379,251

See Notes to Financial Statements.

Delaware Valley Community Health, Inc.

Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
Operating activities		
Cash received from patient services	$ 16,924,495	$ 15,898,394
Cash received from grants	5,367,298	4,919,505
Cash received from contracted services	584,005	846,573
Other receipts from operations	312,928	258,982
Cash paid for operations	(5,122,392)	(4,301,133)
Cash paid to employees	(16,684,321)	(16,455,973)
Interest paid	(120,782)	(118,422)
Net cash provided by operating activities	1,261,231	1,047,926
Investing activities		
Purchase of property and equipment	(148,103)	(452,288)
Increase in investment in a limited liability corporation	(177,335)	-
Purchase of investments	(460,076)	(767,818)
Proceeds from sale of investments	460,076	762,584
Net cash used in investing activities	(325,438)	(457,522)
Financing activities		
Payment of long-term debt	(97,362)	(86,629)
Cash received for DHHS capital improvements grants	-	8,405
Net cash used in financing activities	(97,362)	(78,224)
Net increase in cash and cash equivalents	838,431	512,180
Cash and cash equivalents, beginning of year	1,783,122	1,270,942
Cash and cash equivalents, end of year	$ 2,621,553	$ 1,783,122
Reconciliation of change in operating activities		
Changes in unrestricted net assets	$ 299,857	$ (961,481)
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities		
Bad debt expense	548,107	410,000
Unrealized loss on interest rate swap	429	15,467
Depreciation and amortization	986,055	1,176,814
DHHS capital improvement grants	-	(8,405)
Forgiveness of other receivable	22,571	88,778
Net realized and unrealized gain on investments	(2,357)	(1,210)
Changes in operating assets and liabilities		
Patient services receivable	(741,769)	117,795
Contract services, other grants and contributions receivable	64,985	25,488
Prepaid expenses and other	107,288	85,232
Inventory	(3,571)	(9,996)
Refundable advances	-	(34,949)
Accounts payable and accrued expenses	(125,462)	263,628
Accrued compensation	105,098	(119,235)
Net cash provided by operating activities	$ 1,261,231	$ 1,047,926

See Notes to Financial Statements.

Note 1 - Organization and summary of significant accounting policies

Organization

Delaware Valley Community Health, Inc. (the "Center") operates healthcare centers located in Philadelphia and Norristown, Pennsylvania. The Center provides a broad range of health services to a largely medically underserved population. The Center is incorporated as a not-for-profit corporation under the laws of the Commonwealth of Pennsylvania and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code").

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

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

The Center maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts. At December 31, 2015, the Center's cash balance exceeds federally insured limits by approximately $2,500,000. All highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents.

Investments

Investments consist of money market accounts and bonds. Investments are recorded in the accompanying financial statements at fair value, which have been determined using quoted market prices. Realized and unrealized gains are reflected in revenue and realized and unrealized losses are reflected in expenses in the statement of activities and changes in net assets.

Fair value of financial instruments

The Center's material financial instruments at December 31, 2015 and 2014 for which disclosure of estimated fair value is required by certain accounting standards consisted of cash and cash equivalents, investments, patient services receivable, accounts payable, interest rate swap and obligations to unrelated parties. The fair values of cash and cash equivalents, patient services receivable and accounts payable are equal to their carrying value because of their liquidity and short-term maturity. Investments are stated at fair value as described in Note 2. Management believes that the fair values of obligations to unrelated parties do not differ materially from their aggregate carrying values in that substantially all the obligations bear variable interest rates that are based on market rates or interest rates that are periodically adjusted to rates that are based on market rates. The fair value of the obligation related to the interest rate swap is described in Note 2.

Patient services receivable and concentration of credit risk

The collection of receivables from third-party payors and patients is the Center's primary source of cash for operations and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts (deductibles and copayments) remain outstanding. Patient receivables from third-party payors are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors.

Receivables due directly from patients are carried at the original charge for the service provided less discounts provided under the Center's charity care policy, less amounts covered by third-party payors and less an estimated allowance for doubtful receivables. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Center considers accounts past due when they are outstanding beyond 60 days with no payment. The Center generally does not charge interest on past due accounts. Patient receivables are written off to the allowance for doubtful accounts when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received.

Interest rate swap

The Center utilizes a derivative financial instrument to reduce interest rate risk. The Center does not hold or issue derivative financial instruments for trading purposes. Accounting and reporting standards for derivative instruments and hedging activities require the Center to recognize all derivatives as either assets or liabilities in the statements of financial position and measure those instruments at fair value. Changes in the fair value of those instruments are reported in changes in net assets. The accounting for gains and losses associated with changes in the fair value of the derivative and the effect on the financial statements will depend on its hedge designation and whether the hedge is highly effective in achieving offsetting changes in the fair value of cash flows of the asset or liability hedged.

Inventory

Inventory, consisting of pharmaceuticals, is stated at the lower of cost (determined using the first-in, first-out method) or market.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 5-20 years for equipment and vehicles and 25 or 39 years for building and improvements. Leasehold improvements are amortized over the shorter of the useful life of the asset or the lease term. Expenditures over $5,000 are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are included in change in net assets.

According to federal regulations, any property and equipment items obtained through federal funds are subject to a lien by the federal government. Provided that the Center maintains its tax-exempt status and the property and equipment are used for their intended purpose, the Center is not required to reimburse the federal government. If the stated requirements are not met, the Center would be obligated to the federal government in an amount equal to the fair value of the property and equipment.

Impairment of long-lived assets

The Center reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing a review for impairment, the Center compares the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that impairment has occurred, the loss would be recognized during that period. The impairment loss is calculated as the difference between the asset carrying values and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance and pricing trends. The Center does not believe that any material impairment currently exists related to its long-lived assets.

Grants and contracts

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when the expenditures have been incurred in compliance with the grantor's restrictions. Grants and contract awards for the acquisition of long-lived assets are reported as unrestricted nonoperating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as refundable advances on the statements of financial position.

At December 31, 2015 and 2014, the Center has received conditional grants and contracts from governmental entities in the aggregate amount of approximately $2,500,000 and $2,300,000, respectively, that have not been recorded in the accompanying financial statements. These grants and contracts require the Center to provide certain services and capital expenditures during specified periods. If such services are not provided during the periods, the governmental entities are not obligated to expend the funds allotted under the contracts.

Patient services revenue

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Payment arrangements include predetermined fee schedules and discounted charges. Service fees are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors, which are subject to audit by administrating agencies. These adjustments are accrued on an estimated basis and are adjusted in future periods as final settlements are determined.

The Center provides care to certain patients under Medicaid and Medicare payment arrangements. Laws and regulations governing the Medicaid and Medicare programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action. Self-pay revenue is recorded at published charges with charity care deducted to arrive at gross self-pay revenue. Contractual allowances are then deducted to arrive at net self-pay patient revenue.

Charity care and community benefits

The Center is open to all patients, regardless of their ability to pay. In the ordinary course of business, the Center renders services to patients who are financially unable to pay for healthcare. The Center provides care to these patients who meet certain criteria under its sliding fee discount policy without charge or at amounts less than the established rates. Charity care services are computed using a sliding fee scale based on patient income and family size. The Center maintains records to identify and monitor the level of sliding fee discount it provides. For uninsured self-pay patients that do not qualify for charity care, the Center recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates, if negotiated or provided by policy.

Community benefit represents the cost of services for Medicaid, Medicare, and other public patients that the Center is not reimbursed for.

Based on the cost of patient services, charity care amounted to approximately $3,200,000 and $3,500,000, respectively, and community benefit amounted to approximately $2,100,000 and $4,900,000, respectively, for the years ended December 31, 2015 and 2014.

Contributions
Contributions are recorded at fair value when received or pledged. Amounts are recorded as temporarily or permanently restricted revenue if they have donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as unrestricted revenue. Conditional contributions are recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions.

340B Pharmacy revenue
The Center participates in Section 340B of the Public Health Service Act ("PHS Act"), "Limitation on Prices of Drugs Purchased by Covered Entities" through its agreement with a third-party administrative agent and certain unaffiliated local pharmacies. Participation in this program allows the Center to purchase pharmaceuticals at discounted rates for prescriptions to eligible patients. The Center records revenue based on the price of the pharmaceuticals dispensed.

In-kind contributions
The Center records donated items at fair value. For the years ended December 31, 2015 and 2014, the Center received $1,400,994 and $1,107,280, respectively, of vaccines, which are recorded in the statements of activities and changes in net assets as both revenue and expense.

Interest income
Interest earned on nonfederal funds is recorded as income on an accrual basis. Interest earned on federal funds is recorded as a payable to the United States Public Health Service (the "PHS") in compliance with Office of Management and Budget ("OMB") Circular A-110.

Performance indicator
The statements of activities and changes in net assets include operating income (loss) as the performance indicator. Changes in unrestricted net assets which are excluded from the performance indicator include DHHS capital improvement grants and unrealized gains on interest rate swap.

Meaningful use incentive
The American Recovery and Reinvestment Act of 2009 ("ARRA") amended the Social Security Act to establish one-time incentive payments under the Medicare and Medicaid programs for certain professionals that: (1) meaningfully use certified EHR technology, (2) use the certified Electronic Health Record ("EHR") technology for electronic exchange of health information to improve quality of healthcare, and (3) use the certified EHR technology to submit clinical and quality measures. These provisions of ARRA, together with certain of its other provisions, are referred to as the Health Information Technology for Clinical and Economic Health ("HITECH") Act. The criteria for

meaningful use incentives will be staged in three steps over the course of six years and be paid out based on a transitional schedule. The Center's providers have met the criteria and have earned $52,000 and $100,000 from the Medicaid and Medicare incentive program as of December 31, 2015 and 2014, respectively, which is included in other revenue.

Functional expenses

Expenses are charged to program services or general and administrative based on a combination of specific identification and allocation by management.

Tax status

The Center has no unrecognized tax benefits at December 31, 2015 and 2014. The Center's federal, state and city information tax returns prior to 2012 are closed. The Board of Directors continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, the Center would recognize interest and penalties associated with tax matters as part of other than personnel services in the statements of activities and changes in net assets and include accrued interest and penalties in accrued expenses in the statements of financial position. The Center did not recognize any interest or penalties associated with tax matters for the years ended December 31, 2015 and 2014.

Reclassification

Certain prior year balances have been reclassified for consistency with the 2015 financial statement presentation. These reclassifications had no effect on the reported results of operations.

Subsequent events

The Center has evaluated subsequent events through May 25, 2016, which is the date the financial statements were available to be issued.

Note 2 - Fair value measurements

The Center values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Center utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. Financial assets and liabilities carried at fair value at December 31, 2015 and 2014 are classified in the tables below in one of the three categories described above:

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Investments				
Money market accounts	$ 43,697	$ -	$ -	$ 43,697
U.S. Government bonds				
Mortgage bonds	-	1,317,462	-	1,317,462
Total	$ 43,697	$ 1,317,462	$ -	$ 1,361,159
Interest rate swap liability	$ -	$ -	$ (46,622)	$ (46,622)

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Investments				
Money market accounts	$ 112,482	$ -	$ -	$ 112,482
U.S. Government bonds				
Mortgage bonds	-	1,246,320	-	1,246,320
Total	$ 112,482	$ 1,246,320	$ -	$ 1,358,802
Interest rate swap liability	$ -	$ -	$ (46,193)	$ (46,193)

The following table sets forth a summary of the Center's level 3 liabilities:

Balance, January 1, 2014	$ (30,726)
Unrealized loss	(15,467)
Balance, December 31, 2014	(46,193)
Unrealized loss	(429)
Balance, December 31, 2015	$ (46,622)

Investments in money market accounts are cash equivalent sweep accounts and the fair values as of December 31, 2015 and 2014 are equal to their cost.

U.S. Government and corporate bonds are valued using their estimated bid price which is derived from comparable securities' market prices on active markets obtained from real-time quotes for transactions in an active exchange.

The fair value of the interest rate swap represents an estimate of the net present value of the expected cash flows using relevant mid-market data inputs.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 3 - Patient services receivable, net

Patient services receivable consist of the following at December 31:

	2015	2014
Medicaid	$ 97,418	$ 51,263
Medicare	73,854	84,080
Private insurance and commercial managed care plans	83,984	126,515
Self-pay	1,191,727	1,045,528
Medicare managed care plans and wraparound	202,903	89,380
Medicaid managed care plans and wraparound	1,425,111	1,224,653
Total	3,074,997	2,621,419
Less allowance for doubtful accounts	1,155,970	896,054
Total	$ 1,919,027	$ 1,725,365

Patient services receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of patient services receivable, the Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Center records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates or the discounted rates provided by the Center's policy and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts.

The Center's allowance for doubtful accounts for self-pay patients was 98% and 89% of self-pay accounts receivable at December 31, 2015 and 2014, respectively. The Center's self-pay write-offs were $288,191 and $42,132 for the years ended December 31, 2015 and 2014, respectively. The

Center does not maintain a material allowance for doubtful accounts for third parties, nor did it have significant write-offs for these payors.

Note 4 - Contract services and other grants receivable

Contract services and other grants receivable consist of the following at December 31:

	2015	2014
The City of Philadelphia		
HIV Emergency Relief Project Grant	$ 44,936	$ 53,986
Health Partners Plan	35,458	-
Horizon House	-	38,634
Others	-	52,759
Total	$ 80,394	$ 145,379

Note 5 - Property and equipment, net

Property and equipment, net, consists of the following at December 31:

	2015	2014
Land	$ 68,018	$ 68,018
Building and leasehold improvements	18,387,105	18,386,132
Office equipment	2,041,087	2,357,793
Medical and dental equipment	2,464,181	2,412,268
Vehicles	51,275	40,275
	23,011,666	23,264,486
Less accumulated depreciation and amortization	9,774,663	9,189,531
Total	$ 13,237,003	$ 14,074,955

In the event the DHHS grants are terminated, the DHHS reserves the right to transfer all property and equipment purchased with grant funds to the PHS or third parties.

Note 6 - Investment in a limited liability corporation

In 2014, the Center invested in Broad Spectrum Independent Physician Association, LLC ("BSIL") where the Center acquired 12% interest. BSIL is a limited liability company organized and directed by physicians or health centers to negotiate contracts with insurance companies on their behalf. For the year ended December 31, 2015, the Center recognized investment income amounting to $177,335.

Note 7 - Line of credit

The Center has a $1,000,000 revolving line of credit that is payable on demand. As of December 31, 2015 and 2014, the Center has not drawn on this line. This line is secured by the Center's investments.

Note 8 - Long-term debt

On December 18, 2013, the Upper Gwynedd Township Industrial Development Authority (UGTIDA) issued a $3,584,000 bond. The proceeds from the sale of the bond were used to finance a portion of the refunding of the West Norriton Township Industrial Development Authority bond issued in 2006 and the payment of costs of issuance of the bond. Monthly amortization of the outstanding principal commenced on February 3, 2014 with a final maturity of December 18, 2038. The bond incurs interest at a variable rate of LIBOR plus 2.35 times 68% (1.7638% and 1.7034% at December 31, 2015 and 2014, respectively). This bond is secured by a first priority on certain real properties of the Center. The outstanding balance of the bond at December 31, 2015 and 2014 amounted to $3,400,009 and $3,497,371, respectively.

On December 18, 2013, the Center entered into a new interest rate swap agreement with Citizens Bank for a notional principal amount of $3,584,000 with a maturity date of December 18, 2018. Under the new swap agreement, the Center pays interest on a monthly basis at a fixed rate of 1.27% and the bank pays the Center a floating rate of 68% of USD-LIBOR-BBA.

The Center entered into the agreement to manage their interest rate risks. The agreement is designated as a freestanding instrument. The interest rate swap is not designated as a hedging instrument.

The cumulative market-to-market gain or loss on the swap agreement's fair value is a liability of $46,622 and $46,193 at December 31, 2015 and 2014, respectively, (included in the statements of financial position as a payable) and the change is shown on the statements of activities and changes in net assets in nonoperating activities.

Future principal payments on long-term debt for the five years subsequent to December 31, 2015 and thereafter are as follows:

2016	$ 100,574
2017	103,892
2018	107,319
2019	110,859
2020	114,516
Thereafter	2,862,849
Total	3,400,009
Less current maturities	100,574
Total	$ 3,299,435

The Center is required to comply with certain covenants.

Note 9 - Patient services revenue, net

The Center recognizes patient services revenue associated with services provided to patients who have Medicaid, Medicare, third party payor and managed care plans coverage on the basis of contractual rates for services rendered. For uninsured patients that do not qualify for charity care, the Center recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates, if negotiated or provided by policy. On the basis of historical experience, a significant portion of the Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Center records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient services revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, are as follows at December 31:

	2015	2014
Medicaid	$ 748,044	$ 843,779
Medicare	590,505	528,496
Private insurance	1,199,949	1,325,828
Self-pay	1,500,414	1,511,865
Medicare managed care and wraparound	1,609,242	952,370
Medicaid managed care and wraparound	10,550,460	9,235,047
Total	$ 16,198,614	$ 14,397,385

Medicaid and Medicare revenue is reimbursed to the Center at the net reimbursement rates determined by each program. Reimbursement rates are subject to revisions under the provision of reimbursement regulations. Adjustments for such revisions are recognized in the fiscal year incurred.

Note 10 - DHHS grants

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

Grant number	Grant period	Total grant	Unrestricted revenue recognized
6H80CS00833-13-03	June 1, 2014-May 31, 2015	$ 5,121,137	$ 2,290,386
6H80CS00833-14-03	June 1, 2015-May 31, 2016	5,564,432	3,076,912
DHHS grants - total			$ 5,367,298

For the year ended December 31, 2014, the Center received the following DHHS grants:

Grant number	Grant period	Total grant	Unrestricted revenue recognized
6H80CS00833-12-04	June 1, 2013-May 31, 2014	$ 4,802,784	$ 2,123,703
6H80CS00833-13-03	June 1, 2014-May 31, 2015	5,121,137	2,830,751
DHHS grants - total			$ 4,954,454
6C8ACS23683-01-00	May 1, 2012-April 30, 2014	1,019,723	$ 8,405
DHHS capital improvements grants - total			$ 8,405

Note 11 - Contract services and other grants

Contract services and other grants revenue consists of the following at December 31:

	2015	2014
The City of Philadelphia		
HIV Emergency Relief Project Grant	$ 159,451	$ 144,376
Independence Blue Cross Foundation	250,000	250,000
Health Partners Plan	35,458	132,202
The Commonwealth of Pennsylvania		
Professional Development	54,486	116,431
Institute for Safe Families	-	17,317
Horizon House	-	77,737
Other	19,625	83,022
Total	$ 519,020	$ 821,085

Note 12 - Pension plan

The Center maintains a 401(k) match savings plan covering substantially all employees who, have completed the minimum of a one-year waiting period, are at least age 21 and have a minimum of 1,000 hours within a plan year. Full vesting occurs after three years of service. The amount contributed to the plan is a fixed percentage of the participant's compensation combined with a dollar-for-dollar match of any voluntary employee deferral up to 2.5% of salary. Pension expense amounted to $700,069 and $683,680 for the years ended December 31, 2015 and 2014, respectively.

Note 13 - Commitments and contingencies

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

The Center maintains its medical malpractice coverage under the Federal Tort Claims Act ("FTCA"). FTCA provides malpractice coverage to eligible PHS-Supported programs and applies to the Center and its employees while providing services within the scope of employment included under grant-related activities. The Attorney General, through the U.S. Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage.

The healthcare industry is subject to voluminous and complex laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral laws, and false claims prohibitions. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of reimbursement, false claims, anti-kickback and anti-referral statutes and regulation by healthcare providers. The Center believes that it is in material compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Upon audit, if discrepancies are discovered, the Center could be held responsible for refunding the amount in question.

The Center's current lease agreement with TFC HPA, LP that was expiring in April 2015 was extended up to April 2020. Rent expense for the years ended December 31, 2015 and 2014 amounted to $165,686 and $189,407, respectively. Future minimum lease payments under the operating lease for the five years subsequent to December 31, 2015 and thereafter are as follows:

2016	$ 117,557
2017	118,558
2018	119,560
2019	120,562
2020	35,249
Total	$ 511,486

Supplementary Information

Delaware Valley Community Health, Inc.

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2015

Federal grantor/ pass-through grantor/ program or cluster title	Federal CFDA number	Agency or pass-through entity identifying number	Passed through to subrecipients	Federal expenditures
U.S. Department of Health and Human Services				
Direct programs				
Health Centers Cluster				
Consolidated Health Centers	93.224	N/A	$ -	$ 2,188,631
Affordable Care Act Grants for New and Expanded Services under the Health Center Program	93.527	N/A	-	3,178,667
Subtotal - Health Centers Cluster				5,367,298
Passed through the City of Philadelphia				
HIV Emergency Relief Project Grants	93.914	1320730	-	159,451
Total federal awards			$ -	$ 5,526,749

See Notes to Schedule of Expenditures of Federal Awards.

Delaware Valley Community Health, Inc.

Notes to Schedule of Expenditures of Federal Awards
December 31, 2015

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Delaware Valley Community Health, Inc. (the "Center") under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Center.

Note 2 - Summary of significant accounting policies

The accompanying Schedule is presented using the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, Cost Principles for Non-Profit Organizations, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements. The Center did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Relationship to basic financial statements

Federal expenditures are reported on the statement of functional expenses as program services. In certain programs, the revenues reported in the basic financial statements may differ from the expenditures reported in the Schedule due to program expenditures exceeding grant or contract budget limitations or agency matching, or in-kind contributions which are not included in the Schedule.

Independent Auditor's 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
Delaware Valley Community Health, Inc.

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 Delaware Valley Community Health, Inc. (the "Center"), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 25, 2016.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center'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*.

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 Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

New York, New York
May 25, 2016

Independent Auditor's Report on Compliance for Each Major
Federal Program and Report on Internal Control over Compliance
Required by the Uniform Guidance

To the Board of Directors
Delaware Valley Community Health, Inc.

Report on Compliance for Each Major Federal Program

We have audited Delaware Valley Community Health, Inc.'s ("the Center") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015. The Center'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 of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 the Center's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, 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. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CohnReznick LLP

New York, New York
May 25, 2016

Delaware Valley Community Health, Inc.

Schedule of Findings and Questioned Costs
Year Ended December 31, 2015

Section I - Summary of Auditor's Results

Financial Statements:

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	___ yes ✓ no
• Significant deficiency(ies) identified?	___ yes ✓ none reported
Noncompliance material to financial statements noted?	___ yes ✓ no

Federal Awards:

Internal control over major programs:	
• Material weakness(es) identified?	___ yes ✓ no
• Significant deficiency(ies) identified?	___ yes ✓ none reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ yes ✓ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program
	U.S. Department of Health and Human Services:
	Health Centers Cluster:
93.224	Consolidated Health Centers
93.527	Affordable Care Act Grants for New and Expanded Services under the Health Center Program

Dollar threshold used to distinguish between type A and B programs:	$750,000
Auditee qualified as low-risk auditee?	✓ yes ___ no

Delaware Valley Community Health, Inc.

Schedule of Findings and Questioned Costs
Year Ended December 31, 2015

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

Delaware Valley Community Health, Inc.

Schedule of Prior Year's Findings
Year Ended December 31, 2015

There were no findings reported in the 2014 OMB A-133 audit.

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