

**TRENTON HEALTH TEAM, INC. AND  
TRENTON HEALTH TEAM ACO, INC.**

**Financial Statements  
December 31, 2015**

The report accompanying the financial statements was issued by Spire Group, PC, a New Jersey Professional Corporation.

**TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.**

**Table of Contents**

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|   |         |
|---|---------|
| <b>Independent Auditors' Report</b> .....   | 1 – 2   |
| <b>Financial Statements</b>   |         |
| Combined Statement of Financial Position.....   | 3       |
| Combined Statement of Activities and Changes in Net Assets.....   | 4       |
| Combined Statement of Functional Expenses .....   | 5       |
| Combined Statement of Cash Flows.....   | 6       |
| Notes to Combined Financial Statements .....  | 7 – 11  |
| <b>Supplementary Information</b>  |         |
| Schedules of Budgeted and Incurred Costs.....   | 12 – 16 |
| Schedule of Expenditures of Federal Awards.....   | 17      |
| Schedule of Expenditures of State Financial Assistance .....  | 18      |
| Notes to the Schedules of Expenditures of Federal Awards<br>and State Financial Assistance.....   | 19      |
| Independent Auditors' Report on Internal Control over Financial Reporting<br>and on Compliance and Other Matters Based on an Audit of Financial<br>Statements Performed in Accordance with <i>Government Auditing Standards</i> ..... | 20 – 21 |



## INDEPENDENT AUDITORS' REPORT

To the Boards of Trustees of  
Trenton Health Team, Inc. and Trenton Health  
Team ACO, Inc.  
Trenton, NJ

We have audited the accompanying combined financial statements of Trenton Health Team, Inc. and its affiliate Trenton Health Team ACO, Inc. (nonprofit organizations), which comprise the combined statement of financial position as of December 31, 2015, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined 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 entities' 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Trenton Health Team, Inc. and Trenton Health Team ACO, Inc. as of December 31, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedules of budgeted and incurred costs and schedules of expenditures of federal awards and state financial assistance as required by the State of New Jersey, Department of Health, are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined 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 July 29, 2016, on our consideration of the Organizations' 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 Organizations' internal control over financial reporting and compliance.



Clark, New Jersey  
July 29, 2016

**TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.**

**Combined Statement of Financial Position  
December 31, 2015**

|   | Trenton<br>Health<br>Team, Inc. | Trenton<br>Health Team<br>ACO, Inc. | Total             | Eliminating<br>Entries | Combined<br>2015  |
|---|---------------------------------|-------------------------------------|-------------------|------------------------|-------------------|
| <b>Assets</b>                           |                                 |                                     |                   |                        |                   |
| Cash and cash equivalents               | \$ 297,122                      | \$ -                                | \$ 297,122        | \$ -                   | \$ 297,122        |
| Accounts receivable                     | 158,573                         | -                                   | 158,573           | -                      | 158,573           |
| Intercompany receivable                 | 110,408                         | -                                   | 110,408           | (110,408)              | -                 |
| Grants receivable                       | 5,022                           | -                                   | 5,022             | -                      | 5,022             |
| Prepaid expenses                        | 28,611                          | 110,408                             | 139,019           | (110,408)              | 28,611            |
| Property and equipment, net             | 36,698                          | -                                   | 36,698            | -                      | 36,698            |
| <b>Total Assets</b>                     | <u>\$ 636,434</u>               | <u>\$ 110,408</u>                   | <u>\$ 746,842</u> | <u>\$ (220,816)</u>    | <u>\$ 526,026</u> |
| <b>Liabilities</b>                      |                                 |                                     |                   |                        |                   |
| Accounts payable                        | \$ 182,859                      | \$ -                                | \$ 182,859        | \$ -                   | \$ 182,859        |
| Intercompany payable                    | -                               | 110,408                             | 110,408           | (110,408)              | -                 |
| Accrued expenses                        | 75,403                          | -                                   | 75,403            | -                      | 75,403            |
| Deferred revenue                        | 205,408                         | -                                   | 205,408           | (110,408)              | 95,000            |
| Refundable advances                     | 283,403                         | -                                   | 283,403           | -                      | 283,403           |
| <b>Total Liabilities</b>                | <u>747,073</u>                  | <u>110,408</u>                      | <u>857,481</u>    | <u>(220,816)</u>       | <u>636,665</u>    |
| <b>Net Assets</b>                       |                                 |                                     |                   |                        |                   |
| Unrestricted                            | (122,081)                       | -                                   | (122,081)         | -                      | (122,081)         |
| Temporarily restricted                  | 11,442                          | -                                   | 11,442            | -                      | 11,442            |
| <b>Total Net Assets</b>                 | <u>(110,639)</u>                | <u>-</u>                            | <u>(110,639)</u>  | <u>-</u>               | <u>(110,639)</u>  |
| <b>Total Liabilities and Net Assets</b> | <u>\$ 636,434</u>               | <u>\$ 110,408</u>                   | <u>\$ 746,842</u> | <u>\$ (220,816)</u>    | <u>\$ 526,026</u> |

See accompanying notes.

TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.

Combined Statement of Activities  
For the Year Ended December 31, 2015

|  | Trenton<br>Health<br>Team, Inc. | Trenton<br>Health Team<br>ACO, Inc. | Total               | Eliminating<br>Entries | Combined<br>2015    |
|--|---------------------------------|-------------------------------------|---------------------|------------------------|---------------------|
| <b>Unrestricted Net Assets</b>                           |                                 |                                     |                     |                        |                     |
| <b>Support and Revenues</b>                              |                                 |                                     |                     |                        |                     |
| Grant income   | \$ 1,412,113                    | \$ -                                | \$ 1,412,113        | \$ -                   | \$ 1,412,113        |
| HIE subscription fees                                    | 191,000                         | -                                   | 191,000             | -                      | 191,000             |
| In-kind and non-cash contributions                       | 72,238                          | -                                   | 72,238              | -                      | 72,238              |
| Contributions  | 5,700                           | -                                   | 5,700               | -                      | 5,700               |
| Interest income  | 187                             | -                                   | 187                 | -                      | 187                 |
| Other income   | 24,330                          | -                                   | 24,330              | -                      | 24,330              |
| Net assets released from restrictions                    | 75,861                          | -                                   | 75,861              | -                      | 75,861              |
| <b>Total Unrestricted Support and Revenues</b>           | <u>1,781,429</u>                | <u>-</u>                            | <u>1,781,429</u>    | <u>-</u>               | <u>1,781,429</u>    |
| <b>Expenses</b>  |                                 |                                     |                     |                        |                     |
| Program services   | 1,813,095                       | -                                   | 1,813,095           | -                      | 1,813,095           |
| Management and general                                   | 298,234                         | -                                   | 298,234             | -                      | 298,234             |
| Fundraising  | 84,674                          | -                                   | 84,674              | -                      | 84,674              |
| <b>Total Program Expenses</b>                            | <u>2,196,003</u>                | <u>-</u>                            | <u>2,196,003</u>    | <u>-</u>               | <u>2,196,003</u>    |
| <b>Net Decrease in Unrestricted Net Assets</b>           | <u>(414,574)</u>                | <u>-</u>                            | <u>(414,574)</u>    | <u>-</u>               | <u>(414,574)</u>    |
| <b>Temporarily Restricted Net Assets</b>                 |                                 |                                     |                     |                        |                     |
| Other income   | 11,442                          | -                                   | 11,442              | -                      | 11,442              |
| Restrictions satisfied by payments                       | (75,861)                        | -                                   | (75,861)            | -                      | (75,861)            |
| <b>Net Decrease in Temporarily Restricted Net Assets</b> | <u>(64,419)</u>                 | <u>-</u>                            | <u>(64,419)</u>     | <u>-</u>               | <u>(64,419)</u>     |
| <b>Decrease in Net Assets</b>                            | <u>(478,993)</u>                | <u>-</u>                            | <u>(478,993)</u>    | <u>-</u>               | <u>(478,993)</u>    |
| <b>Net Assets – Beginning of Year</b>                    | <u>368,354</u>                  | <u>-</u>                            | <u>368,354</u>      | <u>-</u>               | <u>368,354</u>      |
| <b>Net Assets – End of Year</b>                          | <u>\$ (110,639)</u>             | <u>\$ -</u>                         | <u>\$ (110,639)</u> | <u>\$ -</u>            | <u>\$ (110,639)</u> |

See accompanying notes.

TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.

Combined Statement of Functional Expenses  
For the Year Ended December 31, 2015

|                                     | Program<br>Services | Management<br>and<br>General | Fundraising      | Total               |
|-------------------------------------|---------------------|------------------------------|------------------|---------------------|
| Salaries                            | \$ 892,300          | \$ 167,219                   | \$ 60,552        | \$ 1,120,071        |
| Payroll taxes and employee benefits | 149,966             | 28,104                       | 10,177           | 188,247             |
| Donated services                    | 18,170              | 8,980                        | -                | 27,150              |
| Professional fees                   | 552,962             | 60,791                       | 9,000            | 622,753             |
| Program expenses                    | 62,290              | -                            | -                | 62,290              |
| HIE costs                           | 13,500              | -                            | -                | 13,500              |
| Occupancy                           | 42,305              | 15,549                       | 3,141            | 60,995              |
| Staff education and training        | 7,355               | 2,409                        | 150              | 9,914               |
| Travel                              | 14,003              | 2,476                        | -                | 16,479              |
| Office expense                      | 11,617              | 1,566                        | 9                | 13,192              |
| Insurance                           | 20,963              | 7,273                        | 469              | 28,705              |
| Software expense                    | 3,045               | 1,160                        | 1,176            | 5,381               |
| Depreciation and amortization       | 20,706              | 1,261                        | -                | 21,967              |
| Vehicle expense                     | 3,300               | -                            | -                | 3,300               |
| Miscellaneous                       | 613                 | 1,446                        | -                | 2,059               |
| <b>Total Expenses</b>               | <b>\$ 1,813,095</b> | <b>\$ 298,234</b>            | <b>\$ 84,674</b> | <b>\$ 2,196,003</b> |

See accompanying notes.

**TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.**

**Combined Statement of Cash Flows  
For the Year Ended December 31, 2015**

|  | Trenton<br>Health<br>Team, Inc. | Trenton<br>Health Team<br>ACO, Inc. | Total             | Eliminating<br>Entries | Combined<br>2015  |
|--|---------------------------------|-------------------------------------|-------------------|------------------------|-------------------|
| <b>Cash Flows From Operating Activities</b>  |                                 |                                     |                   |                        |                   |
| Change in net assets   | \$ (478,993)                    | \$ -                                | \$ (478,993)      | \$ -                   | \$ (478,993)      |
| Adjustments to reconcile changes in net<br>assets to net cash used in operating activities |                                 |                                     |                   |                        |                   |
| Depreciation and amortization  | 21,967                          | -                                   | 21,967            | -                      | 21,967            |
| Loss on disposal of fixed assets   | 839                             | -                                   | 839               | -                      | 839               |
| Changes in assets and liabilities  |                                 |                                     |                   |                        |                   |
| Accounts receivable  | (15)                            | -                                   | (15)              | -                      | (15)              |
| Intercompany receivable  | (110,408)                       | -                                   | (110,408)         | 110,408                | -                 |
| Grants receivable  | 178,459                         | -                                   | 178,459           | -                      | 178,459           |
| Prepaid expenses   | (8,400)                         | (110,408)                           | (118,808)         | 110,408                | (8,400)           |
| Accounts payable   | 171,783                         | -                                   | 171,783           | -                      | 171,783           |
| Intercompany payable   | -                               | 110,408                             | 110,408           | (110,408)              | -                 |
| Accrued expenses   | 43,440                          | -                                   | 43,440            | -                      | 43,440            |
| Grants payable   | (22,500)                        | -                                   | (22,500)          | -                      | (22,500)          |
| Deferred revenue   | 205,408                         | -                                   | 205,408           | (110,408)              | 95,000            |
| Refundable advances  | 14,941                          | -                                   | 14,941            | -                      | 14,941            |
| <b>Net Change in Cash and Cash Equivalents</b>   | <b>16,521</b>                   | <b>-</b>                            | <b>16,521</b>     | <b>-</b>               | <b>16,521</b>     |
| <b>Cash and Cash Equivalents – Beginning</b>   | <b>280,601</b>                  | <b>-</b>                            | <b>280,601</b>    | <b>-</b>               | <b>280,601</b>    |
| <b>Cash and Cash Equivalents – Ending</b>  | <b>\$ 297,122</b>               | <b>\$ -</b>                         | <b>\$ 297,122</b> | <b>\$ -</b>            | <b>\$ 297,122</b> |

**Supplemental Disclosure for Cash Flow Information**

There were no amounts paid for interest or income taxes during the year ended December 31, 2015

See accompanying notes.



## **TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.**

### **Notes to Combined Financial Statements December 31, 2015**

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#### **Note 1 – Nature of Activities**

Trenton Health Team Inc. (the "Organization"), a non-profit entity located in Trenton, New Jersey, was established in 2010. The Organization is a community health improvement collaborative whose mission is to transform healthcare for the city by forming a committed partnership with the community to expand access to high quality, coordinated healthcare. The Organization's current major programs include:

Care Management & Coordination – The Organization continues to strengthen its care management and coordination efforts through a continuous improvement cycle, refining and codifying its approach. Care management focuses on complex, high-utilizing Medicaid patients in Trenton and supported TB patients throughout Mercer County. An educational component was added to the Care Team programming, as Chronic Disease/Diabetes. Self-Management classes were made available through partners that serve low-income, high-need clients. The Community-wide Clinical Care Coordination Team (C4T) brought key partners together to review data and address vital issues and concerns across the city of Trenton.

Community Partnerships – The Organization implemented a number of grant projects that support the priorities and goals of the Community Health Improvement Plan adopted in 2014 by the Organization's Community Advisory Board, which includes representatives from more than 50 Trenton-based agencies. Projects included establishing a Trauma-informed Care learning community, with representatives from 18 organizations, to help address behavioral health issues; working with faith-based groups to offer an evidence-based curriculum on healthy eating and active living to address health literacy and obesity; and partnering to bring health screenings into the community using Trenton's mobile health van at health fairs and at a weekly farmers market.

Administration of the Trenton Health Information Exchange (HIE) – The HIE has grown in use to include 250,000 individual patient records that are accessed in real-time by more than 600 healthcare providers within the greater Trenton community. A full-time HIE Administrator conducts training for new users, trouble shoots user questions, generates reports, and monitors system usage. Report functions have been expanded and enhanced, including the creation of both personal and population level tools. A Clinical Decision Support system was developed to improve care and outcomes for diabetes and hypertension.

Trenton Health Team ACO, Inc. ("ACO") – ACO received certification from the NJ Department of Human Services as a Medicaid Accountable Care Organization effective July 1, 2015. The Organization continued to implement infrastructure required for an integrated healthcare delivery system that will transform Trenton's fragmented primary care system and restore health to the city.

Trenton Health Team Inc. and Trenton Health Team ACO, Inc. (the "Organizations") are combined for financial reporting purposes based upon shared management.

#### **Note 2 – Summary of Significant Accounting Policies**

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

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Notes to Combined Financial Statements  
December 31, 2015

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Basis of Presentation (Continued)**

The Organizations are required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets – net assets not subject to donor-imposed stipulations, and therefore expendable for operating purposes.
- Temporarily restricted net assets – net assets subject to donor-imposed stipulations that will be met by actions of the Organizations and/or by the passage of time.
- Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the Organizations. Generally, the donors of these assets permit the Organizations to use all or part of the income earned on related investments for general or donor-specified purposes. The Organizations have no permanently restricted net assets.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Organizations consider highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Grants Receivable**

The Organizations consider all grants receivable to be fully collectible; accordingly, no allowance for doubtful amounts is required. If amounts become uncollectible, they will be charged to the change in net assets when that determination is made.

**Property and Equipment**

Property and equipment, costing in excess of \$5,000 are capitalized as assets and recorded at cost, except for donated items, which are recorded at the fair value on the date of donation. Depreciation is provided over the estimated useful lives of the assets, which are 5 years for computer equipment, software and vehicles, using the straight-line method. Leasehold improvements are amortized over the lesser of the length of the related leases or the estimated useful lives of the assets.

Repairs and maintenance which do not extend the useful lives of the related assets are expensed as incurred.

**Public Support and Revenue Recognition**

Contributions are recognized when a donor makes a promise to give to the Organizations that is, in substance, unconditional. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable values. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable values, using low risk interest rates applicable to the years in which promises are received to discount the amounts.

Conditional promises to give are recognized when the conditions on which they are dependent are substantially satisfied. Certain grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.

**TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.**

**Notes to Combined Financial Statements  
December 31, 2015**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Public Support and Revenue Recognition (Continued)**

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, that are provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

Subscription revenue in the statement of activities consists of user fees for use of proprietary software licensed by the Organization, as well as Health Information Exchange services built and operated by the Organization. Revenue is recognized in the period earned.

**Functional Allocation of Expenses**

Certain operating expenses have been allocated to program services based on the reasonable benefit that the program derived from these expenses. There are various funding sources providing support towards the Organizations' programs and some of the expenses charged to the programs represent direct expenses related to program operations and objectives.

**Note 3 – Concentrations of Credit Risk**

Financial instruments which potentially subject the Organizations to concentrations of credit risk are cash and accounts receivable arising from its normal business activities. The Organizations maintain cash balances in banks. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. The balances, at times, may exceed the federally insured limit of \$250,000.

**Note 4 – Income Taxes**

The Trenton Health Team, Inc. is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and applicable state law. Income generated by activities that would be considered unrelated to the Organization's mission would be subject to tax, which, if incurred, would be recognized as a current expense. No such tax has been recognized for the year ended December 31, 2015. The application for exemption under section 501(c)(3) of the Internal Revenue Code for Trenton Health Team ACO, Inc. is pending.

The Organizations account for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2015.

The Organizations' exempt from federal income tax returns are no longer subject to examination by federal taxing authorities for the years before 2012.

**TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.**

**Notes to Combined Financial Statements  
December 31, 2015**

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**Note 5 – Commitments and Contingencies**

In August 2013, the Organization entered into a three year master software agreement with a vendor for a total of \$1,050,000. Payments are due quarterly in the amount of \$87,500 over the term of the master software agreement. Total payments as of December 31, 2015 were \$875,000. Remaining future minimum payments at December 31, 2015, under this master software agreement, are due during the year ending December 31, 2016 in the amount of \$175,000.

**Note 6 – Property and Equipment**

Property and equipment consist of the following:

|   |                  |
|---|------------------|
|   | <b>2015</b>      |
| Leasehold improvements                          | \$ 3,292         |
| Computer equipment and software                 | 86,453           |
| Vehicle   | 19,387           |
|   | <u>109,132</u>   |
| Less: Accumulated depreciation and amortization | <u>72,434</u>    |
| Net Property and Equipment                      | <u>\$ 36,698</u> |

Depreciation expense for the year ended December 31, 2015 was \$21,967.

**Note 7 – Temporarily Restricted Net Assets**

Temporarily restricted net assets, at December 31, 2015, were available for the Further Inroads for Health Program in the amount of \$11,442.

Temporarily restricted net assets released from donor restriction for the year end December 31, 2015 were \$75,861.

**Note 8 – Concentration of Risk and Uncertainties**

The Organization received approximately 65% of its support and revenues in 2015 from two grantors. At December 31, 2015, there were no grants receivable from these grantors. A significant reduction in the level of this revenue or non-payment of the amount due, if this were to occur, could have a significant negative effect on the Organization.

The Organization maintains cash and cash equivalent balances which may, at times, exceed federally insured limits. The Organization historically has not experienced any credit related losses. Management believes that it is not subject to any significant credit risk on its cash and cash equivalent accounts.

**Note 9 – Donated Services, Materials and Facilities**

The Organizations occupy part of a building located at 218 North Broad Street, Trenton, New Jersey, under an agreement with the City of Trenton. No rent or utilities are paid by the Organizations. The landlord has estimated the approximate fair value of the rental and utilities to be \$41,790 for the year ended December 31, 2015.

The Organization receives various administrative, fundraising and program specific services from related parties free of charge. In-kind donated services were \$27,150 for the year ended December 31, 2015.

The Organization also receives donated use of a vehicle from a related party. In-kind vehicle usage was \$3,300 for the year ended December 31, 2015.

**TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.**

**Notes to Combined Financial Statements  
December 31, 2015**

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**Note 10 – Inter-Company Activities**

During the year ended December 31, 2015, Trenton Health Team, Inc. provided funding to Trenton Health Team ACO, Inc. to cover start-up costs in the amount of \$110,408. All intercompany activity is eliminated in the combined financial statements.

**Note 11 – Subsequent Events**

Subsequent events have been evaluated through July 29, 2016, the date which these financial statements were available to be issued.

During March 2016, the Organization was awarded a one-time grant award of \$450,000, from Trinity Health, to implement of a series of pre-selected, pro-health Policy, System and Environmental interventions. Additionally, the Organization has elected to implement additional Policy, System and Environment Change and Healthy Living interventions. Collectively, these interventions shall be referred to as the TCI project. This award is made for the period from March 1, 2016 to June 30, 2017.

As of July 1, 2016, the New Jersey Department of Human Services will make available \$1,000,000 to each of the certified New Jersey Medicaid ACOs. The funding cannot be used as a Federal match for other grant funds, but may be used to support other ACO activities.

**TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.**

**Supplementary Information**

**Schedule of Budgeted and Incurred Costs**

**Grant Number: DFHS14DPC016**

**Grant Period: 07/01/14 – 06/30/15**

**Audit for the Year Ended December 31, 2015**

| Cost Category                        | Final<br>Approved<br>Budget | PY Audited<br>Expenditure<br>Reports | CY Audited<br>Expenditure<br>Reports | Total<br>Expenditures | Questioned<br>Costs |
|--------------------------------------|-----------------------------|--------------------------------------|--------------------------------------|-----------------------|---------------------|
| Salaries and wages                   | \$ 103,669                  | \$ 42,535                            | \$ 61,483                            | \$ 104,018            | \$ -                |
| Fringe benefits                      | 12,781                      | 3,595                                | 8,580                                | 12,175                | -                   |
| Consultant and professional services | 258,000                     | 92,137                               | 165,863                              | 258,000               | -                   |
| Office expense and related cost      | 33,125                      | 18,794                               | 13,648                               | 32,442                | -                   |
| Staff training and education cost    | 5,150                       | 1,400                                | 3,887                                | 5,287                 | -                   |
| Travel, conference and meetings      | 1,175                       | 563                                  | 1,437                                | 2,000                 | -                   |
| Equipment and capital expenditures   | 1,100                       | 1,078                                | -                                    | 1,078                 | -                   |
| Total Direct Cost                    | 415,000                     | 160,102                              | 254,898                              | 415,000               | -                   |
| Indirect Cost                        | -                           | -                                    | -                                    | -                     | -                   |
| Total Costs                          | 415,000                     | 160,102                              | 254,898                              | 415,000               | -                   |
| Less: Program income                 | -                           | -                                    | -                                    | -                     | -                   |
| Net Total Cost                       | \$ 415,000                  | \$ 160,102                           | \$ 254,898                           | \$ 415,000            | \$ -                |

See independent auditors' report.

**TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.**

**Supplementary Information**

**Schedule of Budgeted and Incurred Costs**

**Grant Number: DFHS16DPC002**

**Grant Period: 10/01/15 – 06/30/16**

**Audit for the Year Ended December 31, 2015**

| Cost Category        | Final<br>Approved<br>Budget | PY Audited<br>Expenditure<br>Reports | CY Audited<br>Expenditure<br>Reports | Total<br>Expenditures | Questioned<br>Costs |
|----------------------|-----------------------------|--------------------------------------|--------------------------------------|-----------------------|---------------------|
| Salaries and wages   | \$ 18,868                   | \$ -                                 | \$ 464                               | \$ 464                | \$ -                |
| Fringe benefits      | 3,830                       | -                                    | 241                                  | 241                   | -                   |
| Consultant           | 13,450                      | -                                    | 4,317                                | 4,317                 | -                   |
| Office expense       | 575                         | -                                    | -                                    | -                     | -                   |
| Facility Cost        | 235                         | -                                    | -                                    | -                     | -                   |
| Travel               | 222                         | -                                    | -                                    | -                     | -                   |
| Total Direct Cost    | <u>37,180</u>               | <u>-</u>                             | <u>5,022</u>                         | <u>5,022</u>          | <u>-</u>            |
| Indirect Cost        | -                           | -                                    | -                                    | -                     | -                   |
| Total Costs          | <u>37,180</u>               | <u>-</u>                             | <u>5,022</u>                         | <u>5,022</u>          | <u>-</u>            |
| Less: Program income | -                           | -                                    | -                                    | -                     | -                   |
| Net Total Cost       | <u>\$ 37,180</u>            | <u>\$ -</u>                          | <u>\$ 5,022</u>                      | <u>\$ 5,022</u>       | <u>\$ -</u>         |

See independent auditors' report.

**TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.**

**Supplementary Information**

**Schedule of Budgeted and Incurred Costs**

**Grant Number: DFHS15FIP003**

**Grant Period: 10/01/14 – 09/30/15**

**Audit for the Year Ended December 31, 2015**

| Cost Category                        | Final<br>Approved<br>Budget | PY Audited<br>Expenditure<br>Reports | CY Audited<br>Expenditure<br>Reports | Total<br>Expenditures | Questioned<br>Costs |
|--------------------------------------|-----------------------------|--------------------------------------|--------------------------------------|-----------------------|---------------------|
| Salaries and wages                   | \$ 125,044                  | \$ 23,575                            | \$ 105,092                           | \$ 128,667            | \$ -                |
| Fringe benefits                      | 29,353                      | 11,196                               | 21,631                               | 32,827                | -                   |
| Consultant and professional services | 37,020                      | 1,755                                | 35,265                               | 37,020                | -                   |
| Office expense and related cost      | 6,865                       | 1,409                                | 6,137                                | 7,546                 | -                   |
| Program expense and related cost     | 8,000                       | -                                    | 3,822                                | 3,822                 | -                   |
| Staff training and education cost    | 6,300                       | 2,634                                | 2,419                                | 5,053                 | -                   |
| Travel, conference and meetings      | 2,215                       | 240                                  | 674                                  | 914                   | -                   |
| Equipment and capital expenditures   | 4,000                       | 2,466                                | 482                                  | 2,948                 | -                   |
| Facility cost                        | 1,450                       | 603                                  | 847                                  | 1,450                 | -                   |
| Sub-grants                           | 62,000                      | -                                    | 62,000                               | 62,000                | -                   |
| Total Direct Cost                    | <u>282,247</u>              | <u>43,878</u>                        | <u>238,369</u>                       | <u>282,247</u>        | <u>-</u>            |
| Indirect Cost                        | -                           | -                                    | -                                    | -                     | -                   |
| Total Costs                          | <u>282,247</u>              | <u>43,878</u>                        | <u>238,369</u>                       | <u>282,247</u>        | <u>-</u>            |
| Less: Program income                 | -                           | -                                    | -                                    | -                     | -                   |
| Net Total Cost                       | <u>\$ 282,247</u>           | <u>\$ 43,878</u>                     | <u>\$ 238,369</u>                    | <u>\$ 282,247</u>     | <u>\$ -</u>         |

See independent auditors' report.



**TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.**

**Supplementary Information**

**Schedule of Budgeted and Incurred Costs**

**Grant Number: DFHS16FIP002**

**Grant Period: 10/01/15 – 09/30/16**

**Audit for the Year Ended December 31, 2015**

| Cost Category                        | Approved<br>Budget | Expenditure<br>Reports | Expenditure<br>Reports | Total<br>Expenditures | Questioned<br>Costs |
|--------------------------------------|--------------------|------------------------|------------------------|-----------------------|---------------------|
| Salaries and wages                   | \$ 151,375         | \$ -                   | \$ 34,512              | \$ 34,512             | \$ -                |
| Fringe benefits                      | 35,534             | -                      | 4,408                  | 4,408                 | -                   |
| Consultant and professional services | 199,705            | -                      | 7,505                  | 7,505                 | -                   |
| Office expense and related cost      | 3,396              | -                      | 805                    | 805                   | -                   |
| Program expense and related cost     | 5,510              | -                      | -                      | -                     | -                   |
| Travel, conference and meetings      | 1,030              | -                      | 222                    | 222                   | -                   |
| Facility cost                        | 1,450              | -                      | 363                    | 363                   | -                   |
| Sub-grants                           | 42,000             | -                      | -                      | -                     | -                   |
| Total Direct Cost                    | 440,000            | -                      | 47,815                 | 47,815                | -                   |
| Indirect Cost                        | -                  | -                      | -                      | -                     | -                   |
| Total Costs                          | 440,000            | -                      | 47,815                 | 47,815                | -                   |
| Less: Program income                 | -                  | -                      | -                      | -                     | -                   |
| Net Total Cost                       | \$ 440,000         | \$ -                   | \$ 47,815              | \$ 47,815             | \$ -                |

See independent auditors' report.

**TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.**

**Supplementary Information**

**Schedule of Budgeted and Incurred Costs**

**Grant Number: EPID15TAC004**

**Grant Period: 01/01/15 – 12/31/15**

**Audit for the Year Ended December 31, 2015**

| Cost Category        | Final<br>Approved<br>Budget | PY Audited<br>Expenditure<br>Reports | CY Audited<br>Expenditure<br>Reports | Total<br>Expenditures | Questioned<br>Costs |
|----------------------|-----------------------------|--------------------------------------|--------------------------------------|-----------------------|---------------------|
| Salaries and wages   | \$ 77,250                   | \$ -                                 | \$ 80,827                            | \$ 80,827             | \$ -                |
| Fringe benefits      | 15,966                      | -                                    | 12,941                               | 12,941                | -                   |
| Contracted services  | 1,500                       | -                                    | 1,724                                | 1,724                 | -                   |
| Insurance            | 3,872                       | -                                    | 3,872                                | 3,872                 | -                   |
| Office supplies      | 1,200                       | -                                    | 1,200                                | 1,200                 | -                   |
| Rent and utilities   | 2,200                       | -                                    | 2,200                                | 2,200                 | -                   |
| Software             | -                           | -                                    | 206                                  | 206                   | -                   |
| Travel and mileage   | 2,500                       | -                                    | 1,955                                | 1,955                 | -                   |
| Total Direct Costs   | 104,488                     | -                                    | 104,925                              | 104,925               | -                   |
| Indirect Costs       | -                           | -                                    | -                                    | -                     | -                   |
| Total Costs          | 104,488                     | -                                    | 104,925                              | 104,925               | -                   |
| Less: Program income | 64,488                      | -                                    | 64,488                               | 64,488                | -                   |
| Other income         | -                           | -                                    | 437                                  | 437                   | -                   |
| Net Total Cost       | \$ 40,000                   | \$ -                                 | \$ 40,000                            | \$ 40,000             | \$ -                |

See independent auditors' report.

**TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.**

**Supplementary Information  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2015**

| <b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR<br/>PROGRAM TITLE</b> | <b>CFDA<br/>NUMBER</b> | <b>PASS-THROUGH<br/>ENTITY NUMBER</b> | <b>GRANT PERIOD</b> | <b>AWARD<br/>AMOUNT</b> | <b>EXPENDITURES</b> |
|--|------------------------|---------------------------------------|---------------------|-------------------------|---------------------|
| <b>U.S. Department of Health and Human Services</b>            |                        |                                       |                     |                         |                     |
| State of New Jersey Department of Health                       |                        |                                       |                     |                         |                     |
| Diabetes Prevention & Control 2014                             | 93.757                 | DFHS14DPC016                          | 7/1/14 - 6/30/15    | \$ 415,000              | \$ 254,898          |
| Diabetes Prevention & Control 2016                             | 93.943                 | DFHS16DPC002                          | 10/1/15 - 6/30/16   | 37,180                  | 5,022               |
| Faith in Prevention 2015                                       | 93.991                 | DFHS15FIP003                          | 10/1/14 - 9/30/15   | 282,247                 | 238,369             |
| Faith in Prevention 2016                                       | 93.991                 | DFHS16FIP002                          | 10/1/15 - 9/30/16   | 440,000                 | 47,815              |
| Tuberculosis, Ambulatory Care 2015                             | 93.116                 | EPID15TAC004                          | 1/1/15 - 12/31/15   | 40,000                  | 40,000              |
|  |                        |                                       |                     |                         | \$ 586,104          |

See notes to the schedules.

**TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.**

**Supplementary Information  
Schedule of Expenditures of State Financial Assistance  
For the Year Ended December 31, 2015**

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| <u>STATE GRANTOR AND PROGRAM TITLE</u>   | <u>STATE ID NUMBER</u> | <u>GRANT PERIOD</u> | <u>AWARD AMOUNT</u> | <u>EXPENDITURES</u> | <u>CUMULATIVE EXPENDITURES</u> |
|--|------------------------|---------------------|---------------------|---------------------|--------------------------------|
| State of New Jersey Department of Health<br>Community Health Disparity Prevention 2016 | MGMT16HDP018           | 7/1/15 - 6/30/16    | \$ 36,000 \$        | <u>13,211 \$</u>    | <u>13,211</u>                  |

See notes to the schedules.

**TRENTON HEALTH TEAM, INC. AND TRENTON HEALTH TEAM ACO, INC.**

**Supplementary Information**

**Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance  
For the Year Ended December 31, 2015**

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**Note 1 – Basis of Presentation**

The accompanying schedules of expenditures of federal awards and state financial assistance (the “schedules”) include the federal and state grant activity of Trenton Health Team, Inc. and Trenton Health Team ACO, Inc. under programs of the federal and state government for the year ended December 31, 2015. The information in these schedules is presented on the accrual basis of accounting and is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular 15-08-OMB. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic combined financial statements.

**Note 2 – Subrecipients**

There were no subrecipients for any grant during 2015.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Boards of Trustees of  
Trenton Health Team, Inc. and Trenton Health  
Team ACO, Inc.  
Trenton, New Jersey

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 combined financial statements of Trenton Health Team, Inc. and its affiliate Trenton Health Team ACO, Inc. (nonprofit organizations), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated July 29, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the combined financial statements, we considered the Organizations' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organizations' 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 Organizations' combined financial statements are free from material misstatement, we performed tests of their 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 combined 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 Organizations' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organizations' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Spire Group, PC".

Clark, New Jersey  
July 29, 2016