

BUFFALO PRENATAL-PERINATAL NETWORK, INC.

**Financial Statements
as of September 30, 2016
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

BUFFALO PRENATAL-PERINATAL NETWORK, INC.

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INDEPENDENT AUDITOR'S REPORT

March 14, 2017

To the Board of Directors of
Buffalo Prenatal-Perinatal Network, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Buffalo Prenatal-Perinatal Network, Inc. (the Company) (a New York not-for-profit corporation), which comprise the balance sheet as of September 30, 2016, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

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INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Buffalo Prenatal-Perinatal Network, Inc. as of September 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Company's September 30, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplemental Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2017, on our consideration of Buffalo Prenatal-Perinatal Network, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Buffalo Prenatal-Perinatal Network, Inc.'s internal control over financial reporting and compliance.

Bonadio & Co., LLP

BUFFALO PRENATAL-PERINATAL NETWORK, INC.

BALANCE SHEET

SEPTEMBER 30, 2016

(With Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 2,273	\$ 210,874
Grants receivable	666,939	178,429
Contribution receivable	<u>32,625</u>	<u>32,625</u>
Total current assets	701,837	421,928
EQUIPMENT, net of accumulated depreciation of \$254,484 in 2016 and \$236,807 in 2015	<u>95,984</u>	<u>113,550</u>
Total assets	<u>\$ 797,821</u>	<u>\$ 535,478</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 79,968	\$ 112,219
Accrued liabilities	79,548	81,691
Line of credit	120,000	-
Refundable advances	<u>-</u>	<u>64,484</u>
Total liabilities	<u>279,516</u>	<u>258,394</u>
NET ASSETS:		
Unrestricted	485,680	244,459
Temporarily restricted	<u>32,625</u>	<u>32,625</u>
Total net assets	<u>518,305</u>	<u>277,084</u>
	<u>\$ 797,821</u>	<u>\$ 535,478</u>

The accompanying notes are an integral part of these statements.

BUFFALO PRENATAL-PERINATAL NETWORK, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**
(With Comparative Totals for 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
OPERATING REVENUE:				
Governmental grants	\$ 3,078,598	\$ -	\$ 3,078,598	\$ 2,781,985
Contributions	72,940	-	72,940	62,881
United Way	10,875	32,625	43,500	43,500
Interest income	860	-	860	196
Other income	-	-	-	97
Net assets released from restriction	<u>32,625</u>	<u>(32,625)</u>	<u>-</u>	<u>-</u>
Total operating revenue	<u>3,195,898</u>	<u>-</u>	<u>3,195,898</u>	<u>2,888,659</u>
OPERATING EXPENSES:				
Program services	2,618,229	-	2,618,229	2,493,812
General and administrative	318,839	-	318,839	291,999
Fundraising	<u>17,609</u>	<u>-</u>	<u>17,609</u>	<u>14,254</u>
Total operating expenses	<u>2,954,677</u>	<u>-</u>	<u>2,954,677</u>	<u>2,800,065</u>
CHANGE IN NET ASSETS	241,221	-	241,221	88,594
NET ASSETS - beginning of year	<u>244,459</u>	<u>32,625</u>	<u>277,084</u>	<u>188,490</u>
NET ASSETS - end of year	<u>\$ 485,680</u>	<u>\$ 32,625</u>	<u>\$ 518,305</u>	<u>\$ 277,084</u>

The accompanying notes are an integral part of these statements.

BUFFALO PRENATAL-PERINATAL NETWORK, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**
(With Comparative Totals for 2015)

	2016			2015	
	Program Services	General and Administrative	Fundraising	Total	Total
Salaries and wages	\$ 1,613,306	\$ 183,342	\$ 3,637	\$ 1,800,285	\$ 1,654,462
Payroll taxes and benefits	605,662	68,360	508	674,530	631,952
Office rent	107,586	11,954	-	119,540	119,529
Travel	73,094	6,702	-	79,796	61,590
Equipment rentals	45,011	4,602	-	49,613	39,148
Supplies	33,410	3,282	-	36,692	32,136
Telephone	23,630	2,608	-	26,238	29,521
Professional fees	7,619	15,001	-	22,620	28,870
Depreciation	22,221	-	-	22,221	23,195
Consultants	20,873	-	-	20,873	35,986
Staff training and meetings	6,650	12,891	-	19,541	28,730
Educational activities	16,473	-	-	16,473	16,731
Advertising	13,614	1,513	-	15,127	21,437
Special events	-	620	13,100	13,720	14,704
Outreach and education	7,751	3,860	-	11,611	31,105
Insurance	5,253	2,846	-	8,099	7,745
Repairs and maintenance - equipment	1,257	587	-	1,844	1,298
Interest	-	671	-	671	2,944
Bad debt	-	-	-	-	7,025
Recruitment and temporary employees	-	-	-	-	1,539
Other	14,819	-	364	15,183	10,418
Total functional expenses	\$ 2,618,229	\$ 318,839	\$ 17,609	\$ 2,954,677	\$ 2,800,065

The accompanying notes are an integral part of these statements.

BUFFALO PRENATAL-PERINATAL NETWORK, INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED SEPTEMBER 30, 2016 (With Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 241,221	\$ 88,594
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	22,221	23,195
Bad debt expense	-	7,025
Changes in:		
Grants receivable	(488,510)	54,169
Accounts payable	6,913	7,074
Accrued liabilities	(2,143)	(96,781)
Refundable advances	<u>(64,484)</u>	<u>(33,944)</u>
Net cash flow from operating activities	<u>(284,782)</u>	<u>49,332</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of equipment	<u>(43,819)</u>	<u>(18,392)</u>
Net cash flow from investing activities	<u>(43,819)</u>	<u>(18,392)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from line-of-credit	<u>120,000</u>	<u>-</u>
Net cash flow from financing activities	<u>120,000</u>	<u>-</u>
CHANGE IN CASH	(208,601)	30,940
CASH - beginning of year	<u>210,874</u>	<u>179,934</u>
CASH - end of year	<u>\$ 2,273</u>	<u>\$ 210,874</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Equipment purchases in accounts payable at end of year	<u>\$ 1,759</u>	<u>\$ 40,923</u>

The accompanying notes are an integral part of these statements.

BUFFALO PRENATAL-PERINATAL NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2016

1. THE ORGANIZATION

Buffalo Prenatal-Perinatal Network, Inc. (the Company) is a New York not-for-profit corporation organized to provide support and education to individuals and families in the Buffalo, New York area with the intention of improving the health of women and babies in the region. The majority of the Company's revenue comes from government grants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States (GAAP).

Financial Reporting

The Company categorizes net assets and activities as unrestricted, temporarily restricted, and permanently restricted. Contributions are reported as temporarily or permanently restricted if they are received with donor stipulations that limit their use to a specific time period or purpose. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restriction. The Company's net assets consisted of the following:

- Unrestricted net assets include operating net assets, which are not subject to donor-imposed stipulations, and are generally available for support of the Company's operations.
- Temporarily restricted net assets include resources resulting from contributions of assets whose use by the Company is limited by donor-imposed restrictions that either expire by passage of time or will be fulfilled by future actions of the Company pursuant to those restrictions. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service. In the absence of donor specification, the income and gains on temporarily restricted assets are unrestricted as to its use. Contributions received with donor-imposed restrictions that are met in the same reporting period are shown as unrestricted revenue.

As of and for the year ended September 30, 2016 and 2015, temporarily restricted net assets and net assets released for restriction were related to donor restrictions for the Company's Community Health Worker Program.

Cash

Cash consists of bank demand deposit accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with respect to cash.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equipment

Equipment is recorded at cost or fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is provided using the straight-line method over estimated useful lives, which range from 5 to 15 years. Repairs and maintenance are charged to operations as incurred; significant improvements greater than \$500 are capitalized.

Income Taxes

The Company is a not-for-profit corporation that is exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. The Company has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

Refundable Advances

The Company records advance amounts received under the terms of grant award agreements as refundable advances until related services are performed.

Grants

The Company is the recipient of awards and reimbursements from various federal and New York State sources. The awards and reimbursements are subject to various compliance and financial audits by funding sources. Management believes no significant adjustments are necessary to recognized amounts.

Contributions

Contributions are recorded at fair value at the date the contribution is made. The Company records a provision for doubtful accounts using the allowance method. The Company determines the allowance for doubtful accounts by regularly evaluating individual receivables and considering the donor's or grantor's financial condition, payment history, and current economic conditions. No allowance for doubtful accounts has been established at September 30, 2016 and 2015, as the Company's management considers all receivables to be fully collectible.

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and the services contributed would otherwise be purchased by the Company. Donated services were recorded for the year ended September 30, 2015 in the amount of \$507 and were included in Contributions on the statement of activities and change in net assets. There were no donated services for the year ended September 30, 2016.

Cost Allocation

The Company's costs of providing its various programs and activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising costs are charged to expense as incurred. Advertising expense for the year ended September 30, 2016 and 2015 amounted to \$15,127 and \$21,437, respectively.

Estimates

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

Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by functional expense category or net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Company's financial statements for the year ended September 30, 2015, from which the summarized information was derived.

3. SHORT-TERM BORROWINGS

The Company has available a \$350,000 bank demand line-of-credit for working capital. As of September 30, 2016, borrowings bear interest at the prime rate plus 1.50% (5.00%). As of September 30, 2015, borrowings bore interest at the prime rate plus 4.00% (7.25%). The line is secured by substantially all the Company's assets and is annually reviewed and renewed. As of September 30, 2016, there was \$120,000 outstanding on the line. There were no amounts outstanding as of September 30, 2015.

The Company paid interest in the amount of \$671 and \$2,944 for the years ended September 30, 2016 and 2015, respectively.

4. OPERATING LEASES

The Company leases office space and certain equipment under the terms of various operating leases. Rental expense for all leases totaled \$132,315 and \$130,674 for the years ended September 30, 2016 and 2015, respectively.

Future minimum lease payments under the terms of these agreements are as follows for the years ended September 30:

2017	\$	120,469
2018		120,504
2019		120,504
2020		120,504
2021		120,179
Thereafter		<u>77,736</u>
	\$	<u>679,896</u>

5. MULTIEMPLOYER BENEFIT PLAN

The Company contributes to a multiemployer defined benefit plan (the plan) under the terms of a collective bargaining agreement that covers its union-represented employees. The plan provides retirement benefits to participants based on their service to contributing employers. Pursuant to the current collective bargaining agreement, which became effective February 1, 2015, the Company contributes 6% of eligible gross wages for union employees. The Company does not administer this multiemployer plan. This plan is managed by a board of trustees with the unions appointing certain trustees and other contributing employers of the plan appointing certain trustees. The Company is not represented on the board of trustees.

The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects: (1) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; (3) if the Company chooses to stop participating in some of its multiemployer plans, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability. If a plan were to terminate, if participants voluntarily withdrew, or if there was a mass withdrawal, the Company may also be required to make additional payments to the plan for its proportionate share of underfunded liabilities.

The Pension Protection Act (PPA) requires under-funded pension plans to improve their funding ratios based on the level of their underfunding. Among other factors, plans classified as critical are generally less than 65 percent funded, plans in the endangered status are less than 80 percent funded, and plans not in the endangered or critical status are at least 80 percent funded.

Details of the multiemployer pension plans are as follows:

<u>Pension Fund</u>	<u>EIN/Pension Plan Number</u>	<u>Pension Protection Act Certified Zone Status¹</u>		<u>FIP/RP Status Pending/Implemented²</u>	<u>Surcharge Imposed</u>	<u>Expiration Date of Collective-Bargaining Agreement</u>
		<u>For Plan Year Ended December 31, 2015</u>	<u>For Plan Year Ended December 31, 2014</u>			
International Painters and Allied Trades Industry Pension Plan	52-6073909 (001)	Endangered	Endangered	FIP went into effect on January 1, 2012 ³	No	1/31/18

- 1 The most recent PPA zone status available is for the plan's year-end as noted in the table above. The zone status is based on information received from the plan and is certified by the plan's actuary.
- 2 The "FIP/RP Status Pending/Implemented" column indicates whether a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented.
- 3 Effective January 1, 2012, each employer's hourly contribution rate in effect as of March 1, 2009 had to be increased by a supplemental contribution equal to 35% of that rate. Increases in contributions above the March 1, 2009 contribution rate are not subject to the new supplemental contribution. After 2011, the supplemental 35% contribution will not yield any additional benefit for the participant, but will be used solely to offset the unfunded liability of the plan and to secure the objective of the FIP. Participants under the contribution schedule will, in addition to the benefit accrual provided in the plan, continue to be eligible for existing disability retirement benefits, early retirement credits, and death benefits under the plan.

5. MULTIEMPLOYER BENEFIT PLAN (Continued)

Total expense under this plan for the years ended September 30, 2016 and 2015 was \$48,658 and \$47,725, respectively. The Company's contributions were not individually significant to the plan (greater than 5% of the total plan contributions) for the plan year ended December 31, 2015, the most recent available annual report (Form 5500).

6. RETIREMENT PLANS

The Company contributes 10% of eligible non-union employees' gross wages to a qualified 403(b) plan. The Company also maintains a defined contribution retirement plan covering eligible union employees. Under the plan, the Company contributes 4% of eligible gross wages. Total expense under both plans for the years ended September 30, 2016 and 2015 was \$127,750 and \$110,625, respectively.

7. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 14, 2017, which is the date the financial statements were available to be issued.

**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**

March 14, 2017

To the Board of Directors of
Buffalo Prenatal-Perinatal Network, 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 Buffalo Prenatal-Perinatal Network, Inc. (the Company) (a not-for-profit corporation), which comprise the balance sheet as of September 30, 2016, and the related statements of activities and change 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 March 14, 2017.

Internal Control Over Financial Reporting

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

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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

(Continued)

Internal Control Over Financial Reporting (Continued)

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 Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 entity'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 Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bonadio & Co., LLP

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

March 14, 2017

To the Board of Directors of
Buffalo Prenatal-Perinatal Network, Inc.:

Report on Compliance for Each Major Federal Program

We have audited Buffalo Prenatal-Perinatal Network, Inc.'s (the Company) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Company's major federal programs for the year ended September 30, 2016. The Company's major federal program is 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 Company's major federal program 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 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 Company'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 Company's compliance.

Opinion on Each Major Federal Program

In our opinion, the Company complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2016.

(Continued)

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

(Continued)

Report on Internal Control Over Compliance

Management of the Company 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 Company'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 Company'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.

Bonadio & Co., LLP

BUFFALO PRENATAL-PERINATAL NETWORK, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor Number</u>	<u>Federal Expenditures/ Capital Advance</u>
<u>U.S. Department of Health and Human Services</u>			
Passed Through New York State Department of Health			
Medical Assistance Program	93.778	C-028957	\$ 295,177
Passed Through New York State Office of Children and Family Services			
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	C-026444	<u>545,619</u>
Total Expenditures of Federal Awards			<u>\$ 840,796</u>

BUFFALO PRENATAL-PERINATAL NETWORK, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2016

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Buffalo Prenatal-Perinatal Network, Inc. (the Company). The schedule includes expenditures of federal programs received directly from federal agencies, as well as federal assistance passed through other organizations.

2. BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Company under programs of the federal government for the year ended September 30, 2016. 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 Company, it is not intended and does not present the financial position, changes in net assets, or cash flows of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards has been prepared in conformity with accounting principles generally accepted in the United States. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Company has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

BUFFALO PRENATAL-PERINATAL NETWORK, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

A. SUMMARY OF AUDITOR'S RESULTS

1. The independent auditor's report expresses an unmodified opinion on the financial statements of Buffalo Prenatal-Perinatal Network, Inc. (the Company).
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Company which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of the major federal award program are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The Independent Auditor's Report on Compliance For Each Major Federal Program for the Company expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award program.
7. The program tested as a major program was the Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program, CFDA Number 93.505.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Buffalo Prenatal-Perinatal Network, Inc. was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None.

D. SUMMARY OF PRIOR YEAR FINDINGS

None.