

School-Based Health Alliance

Financial Statements
September 30, 2017 and 2016



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SCHOOL-BASED HEALTH ALLIANCE

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
School-Based Health Alliance
Washington, D.C.**

Report on Financial Statements

We have audited the accompanying financial statements of School-Based Health Alliance (a nonprofit organization), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 audits. We conducted our audits in accordance with U.S. generally accepted auditing standards 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 audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of School-Based Health Alliance as of September 30, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Supplementary 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the "Uniform Guidance")*, 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 U.S. generally accepted auditing standards. 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 _____, 2018, on our consideration of School-Based Health Alliance'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of School-Based Health Alliance's 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 School-Based Health Alliance's internal control over financial reporting and compliance.

BBD, LLP.

**Philadelphia, Pennsylvania
March 15, 2018**

SCHOOL-BASED HEALTH ALLIANCE

STATEMENTS OF FINANCIAL POSITION

September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 586,442	\$ 2,347,891
Accounts receivable		
Foundation awards	535,000	20,000
Government grants	335,251	235,037
Other	49,866	22,553
Prepaid expenses and other assets	23,420	38,574
Investments	<u>1,957,161</u>	<u>1,182,715</u>
Total assets	<u>\$ 3,487,140</u>	<u>\$ 3,846,770</u>
LIABILITIES		
Accounts payable	\$ 382,669	\$ 142,366
Accrued payroll	54,881	57,419
Deferred rent	<u>52,707</u>	<u>33,018</u>
Total liabilities	<u>490,257</u>	<u>232,803</u>
NET ASSETS		
Unrestricted		
Operating	1,447,743	1,187,694
Board designated	<u>400,000</u>	<u>300,000</u>
	1,847,743	1,487,694
Temporarily restricted	<u>1,149,140</u>	<u>2,126,273</u>
Total net assets	<u>2,996,883</u>	<u>3,613,967</u>
Total liabilities and net assets	<u>\$ 3,487,140</u>	<u>\$ 3,846,770</u>

See accompanying notes

SCHOOL-BASED HEALTH ALLIANCE

STATEMENTS OF ACTIVITIES

Years ended September 30, 2017 and 2016

	2017			2016		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT						
Government grants	\$ 1,358,914	\$ -	\$ 1,358,914	\$ 1,153,911	\$ -	\$ 1,153,911
Contributions						
Foundation awards	-	1,642,421	1,642,421	-	1,143,494	1,143,494
Other	12,468	-	12,468	17,401	1,000	18,401
Annual conference	596,820	-	596,820	461,998	-	461,998
Membership dues	84,400	-	84,400	101,575	-	101,575
Contract services	124,858	-	124,858	82,496	-	82,496
Investment income	65,683	-	65,683	32,096	-	32,096
Loss on uncollectible foundation awards receivable	-	-	-	-	(40,000)	(40,000)
Net assets released from restrictions	<u>2,619,554</u>	<u>(2,619,554)</u>	<u>-</u>	<u>2,731,720</u>	<u>(2,731,720)</u>	<u>-</u>
Total revenue and support	<u>4,862,697</u>	<u>(977,133)</u>	<u>3,885,564</u>	<u>4,581,197</u>	<u>(1,627,226)</u>	<u>2,953,971</u>
EXPENSES						
Program services	3,972,481	-	3,972,481	3,749,197	-	3,749,197
Supporting services						
Management and general	522,719	-	522,719	448,353	-	448,353
Fundraising	<u>7,448</u>	<u>-</u>	<u>7,448</u>	<u>21,938</u>	<u>-</u>	<u>21,938</u>
Total expenses	<u>4,502,648</u>	<u>-</u>	<u>4,502,648</u>	<u>4,219,488</u>	<u>-</u>	<u>4,219,488</u>
CHANGE IN NET ASSETS	360,049	(977,133)	(617,084)	361,709	(1,627,226)	(1,265,517)
NET ASSETS						
Beginning of year	<u>1,487,694</u>	<u>2,126,273</u>	<u>3,613,967</u>	<u>1,125,985</u>	<u>3,753,499</u>	<u>4,879,484</u>
End of year	<u>\$ 1,847,743</u>	<u>\$ 1,149,140</u>	<u>\$ 2,996,883</u>	<u>\$ 1,487,694</u>	<u>\$ 2,126,273</u>	<u>\$ 3,613,967</u>

See accompanying notes

SCHOOL-BASED HEALTH ALLIANCE

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended September 30, 2017 and 2016

	2017				2016			
	Program Services	Supporting Services Management and General	Fundraising	Totals	Program Services	Supporting Services Management and General	Fundraising	Totals
Salaries	\$ 1,298,394	\$ 235,070	\$ 5,315	\$ 1,538,779	\$ 1,223,375	\$ 222,824	\$ 15,314	\$ 1,461,513
Employee benefits	308,164	52,052	1,219	361,435	280,701	49,543	3,661	333,905
Payroll taxes	93,120	18,980	407	112,507	89,225	16,193	1,149	106,567
Rent	107,973	20,849	-	128,822	127,787	18,643	-	146,430
Printing and reproduction	4,942	3,158	241	8,341	16,287	1,347	389	18,023
Consulting fees	852,211	27,355	-	879,566	553,093	38,991	387	592,471
Subcontracts	692,316	-	-	692,316	863,592	-	-	863,592
Travel	225,942	49,301	-	275,243	277,251	21,763	-	299,014
Licenses, fees and insurance	21,450	20,736	-	42,186	451	21,290	-	21,741
Telephone	10,150	4,135	-	14,285	10,160	3,849	-	14,009
Supplies	46,855	6,318	266	53,439	39,137	4,054	532	43,723
Repairs and maintenance	17,061	29,039	-	46,100	36,552	13,166	-	49,718
Meetings	282,985	21,490	-	304,475	228,727	4,356	-	233,083
Postage	10,918	380	-	11,298	2,859	562	506	3,927
Auditing and accounting	-	18,500	-	18,500	-	18,000	-	18,000
Bank and credit card fees	-	15,356	-	15,356	-	13,772	-	13,772
Total expenses	\$ 3,972,481	\$ 522,719	\$ 7,448	\$ 4,502,648	\$ 3,749,197	\$ 448,353	\$ 21,938	\$ 4,219,488

See accompanying notes

SCHOOL-BASED HEALTH ALLIANCE

STATEMENTS OF CASH FLOWS

Years ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ (617,084)	\$ (1,265,517)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Loss on uncollectible foundation award receivable	-	40,000
Realized and unrealized (gain)loss on investments	(26,923)	2,729
(Increase) decrease in		
Accounts receivable	(642,527)	937,302
Prepaid expenses and other assets	15,154	(4,085)
Increase (decrease) in		
Accounts payable	240,303	(140,950)
Accrued payroll	(2,538)	(52,875)
Deferred rent	19,689	(11,559)
Net cash used for operating activities	<u>(1,013,926)</u>	<u>(494,955)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase of investments	<u>(747,523)</u>	<u>(33,487)</u>
Net change in cash	(1,761,449)	(528,442)
CASH		
Beginning of year	<u>2,347,891</u>	<u>2,876,333</u>
End of year	<u>\$ 586,442</u>	<u>\$ 2,347,891</u>

See accompanying notes

SCHOOL-BASED HEALTH ALLIANCE

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

(1) NATURE OF OPERATIONS

The School-Based Health Alliance (the "**Alliance**") was incorporated in 1995 in Virginia to promote and assure quality primary health care for America's children and youth through interdisciplinary and collaborative efforts. The Alliance supports institutionalization of school-based health care nationwide to improve children's lives and opportunities for success in school and society. The Alliance supports its individual and organizational members by providing community, state and national advocacy, information and knowledge exchange, networking opportunities and technical assistance.

(2) SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

The Alliance reports information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted net assets

Net assets that are not subject to donor-imposed restrictions.

Board designated net assets consist of amounts designated by the Board of Directors for operating reserves.

Temporarily restricted net assets

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Alliance and/or the passage of time. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "*net assets released from restrictions*".

Permanently restricted net assets

Net assets that are subject to donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by the Alliance.

At September 30, 2017 and 2016, the Alliance did not have any permanently restricted net assets.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Fair Value Measurements of Assets and Liabilities

Generally accepted accounting principles ("**GAAP**") define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Alliance. Unobservable inputs reflect the Alliance's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

SCHOOL-BASED HEALTH ALLIANCE

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Alliance has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Alliance's own assumptions.

Investments and Investment Income

Investments in debt and equity securities are recorded at their fair value as determined by quoted market prices.

The Alliance invests in a professionally managed portfolio that contains various types of securities (**See Note 3**). Such investments are exposed to market and credit risk. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect investment balances and the amounts reported in the financial statements.

Donated Services

Individuals volunteer their time and perform a variety of tasks that assist the Alliance with specific programs. The value of these donated services is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition.

Government Grants

Grant revenues are recognized as the related expenses are incurred.

Government grants are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with governmental agencies having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial. The Alliance does not charge interest on outstanding balances.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions.

Unconditional contributions are recognized as revenue when the related promise to give is received. Conditional contributions are recognized as revenue when the conditions are satisfied.

Deferred Rent

The Alliance has recognized a liability for deferred rent in connection with the operating lease for its operating facility. The liability represents the excess of rental expense recorded on a straight-line basis over the lease term as required by generally accepted accounting principles over the actual rental payments made to the lessor.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated based upon the program and supporting services benefited.

SCHOOL-BASED HEALTH ALLIANCE

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

Income Tax Status

The Alliance is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their tax returns. GAAP prescribes a minimum recognition threshold that a tax position is required to meet in order to be recognized in the financial statements. The Alliance believes that it had no uncertain tax positions as defined in the standard.

Concentration of Revenue and Support

The Alliance received 26% of its total revenue and support from one nonprofit organization for the year ended September 30, 2017 and 16% of its total revenue and support from one nonprofit organization for the year ended September 30, 2016.

Concentration of Credit Risk

Financial instruments which subject the Alliance to concentrations of credit risk consist primarily of cash and accounts receivable. The Alliance maintains cash deposits at various banks and at times these may exceed federally-insured limits. Management performs ongoing evaluations of receivables for potential credit losses. Collateral is not required.

(3) INVESTMENTS

Investments consisted of the following at September 30:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 3,793	\$ 1,214
Certificates of deposit	709,214	-
Fixed income mutual funds	<u>1,244,154</u>	<u>1,181,501</u>
	<u>\$1,957,161</u>	<u>\$1,182,715</u>

Investment income was comprised of the following at September 30:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 38,760	\$ 34,825
Net realized and unrealized gain (loss)	<u>26,923</u>	<u>(2,729)</u>
	<u>\$ 65,683</u>	<u>\$ 32,096</u>

Investments are measured at fair value using Level 1 (quoted prices in active markets) valuation inputs, except for Certificates of deposit which are measured using level 2.

(4) GRANTS RECEIVABLE

Government grants receivable consisted of the following at September 30:

<u>Program Title</u>	<u>2017</u>	<u>2016</u>
HRSA – Maternal and Child Health Federal Consolidated Programs	\$190,020	\$138,847
HRSA – Technical and Non-Financial Assistance to Health Centers	92,351	96,190
CDC – Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	<u>52,880</u>	<u>-</u>
	<u>\$335,251</u>	<u>\$235,037</u>

SCHOOL-BASED HEALTH ALLIANCE

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

(5) FOUNDATION AWARDS RECEIVABLE

The foundation awards receivable (unconditional promises to give) consisted of the following at September 30:

	<u>2017</u>	<u>2016</u>
Conrad N. Hilton Foundation	\$495,000	\$ -
Robert Wood Johnson Foundation	<u>40,000</u>	<u>20,000</u>
	<u>\$535,000</u>	<u>\$20,000</u>

The Foundation awards receivable are expected to be collected in 2018.

(6) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2017 and 2016 consisted of the following:

	<u>Balance September 30, 2016</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance September 30, 2017</u>
<u>Purpose Restrictions</u>				
To promote adolescent health care	\$1,298,082	\$ 642,421	\$(1,602,259)	\$ 338,244
To advance the school-based health care model in select communities by providing leadership training and to build organizational capacity to engage public policy and advocacy work	820,991	1,000,000	(1,017,295)	803,696
Linda Juszczak Legacy Fund	<u>7,200</u>	<u>-</u>	<u>-</u>	<u>7,200</u>
	<u>\$2,126,273</u>	<u>\$1,642,421</u>	<u>\$(2,619,554)</u>	<u>\$1,149,140</u>
	<u>Balance September 30, 2015</u>	<u>Additions (Subtractions)</u>	<u>Releases</u>	<u>Balance September 30, 2016</u>
<u>Purpose Restrictions</u>				
To promote adolescent health care	\$2,327,320	\$ 674,920	\$(1,704,158)	\$1,298,082
To advance the school-based health care model in select communities by providing leadership training and to build organizational capacity to engage public policy and advocacy work	1,347,958	468,574	(995,541)	820,991
To build school-based health care state associations to provide technical assistance	31,221	-	(31,221)	-
Linda Juszczak Legacy Fund	<u>47,000</u>	<u>(39,000)</u>	<u>(800)</u>	<u>7,200</u>
	<u>\$3,753,499</u>	<u>\$1,104,494</u>	<u>\$(2,731,720)</u>	<u>\$2,126,273</u>

SCHOOL-BASED HEALTH ALLIANCE

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

(7) OPERATING LEASES

The Alliance leases its administrative office and storage space under non-cancelable operating leases which expire on various dates through April 2024. Rent expense for these facilities was \$128,822 and \$146,430 for 2017 and 2016, respectively.

The office lease which contains rent increases and abatements is being recognized on a straight-line basis over the term of the lease. As a result, the amount expensed exceeds the rent paid by \$19,689 and \$11,559 for the years ended September 30, 2017 and 2016, respectively.

Future minimum annual lease commitments are as follows:

Year ended September 30,

2018	\$ 116,547
2019	168,149
2020	172,352
2021	176,661
2022	181,078
Thereafter	<u>295,661</u>
	<u>\$1,110,448</u>

(8) RETIREMENT PLAN

The Alliance has a 401(k) tax deferred annuity plan covering all eligible employees. The plan allows eligible employees to defer a portion of their compensation, subject to the limitations in the Internal Revenue Code. The Alliance makes a 3% contribution on behalf of all eligible employees and a matching contribution to the plan up to 5% of the eligible employees' elective deferrals. The Alliance's contributions to the plan were \$95,475 and \$83,151 for 2017 and 2016, respectively.

(9) SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 15, 2018, the date on which the financial statements were available to be issued. No material subsequent events have occurred since September 30, 2017 that required recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

SCHOOL-BASED HEALTH ALLIANCE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended September 30, 2017

<u>Federal Grantor Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
<u>Department of Health and Human Services</u>			
Centers for Disease Control and Prevention			
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention And School-Based Surveillance	93.079	\$ 174,865	\$ 19,500
Health Resources and Services Administration			
Maternal and Child Health Federal Consolidated Programs	93.110	753,062	312,816
Technical and Non-Financial Assistance to Health Centers	93.129	<u>430,987</u>	<u>-</u>
Total Expenditures of Federal Awards		<u>\$1,358,914</u>	<u>\$332,316</u>

See notes to schedule of expenditures of federal awards

SCHOOL-BASED HEALTH ALLIANCE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended September 30, 2017

(1) GENERAL INFORMATION

The accompanying schedule of expenditures of federal awards presents the activities in all the federal award programs of School-Based Health Alliance (the "**Alliance**"). All financial assistance received directly from federal agencies, as well as financial awards passed through other governmental and nonprofit agencies, are presented on the schedule of expenditures of federal awards. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

(3) INDIRECT COSTS

Indirect costs included in the schedule of expenditures of federal awards are charged to the federal government based on an approved indirect cost rate agreement (15.59% for 2017). The Alliance has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance. This agreement allows the Alliance to charge indirect costs based on the amount of direct charges incurred for the award, less any participant support costs, capital expenditures and the amount of subawards in excess of \$25,000. The amount charged on federal awards for indirect costs may differ from amounts allocated between program services and management and general on the statement of activities and statement of functional expenses.

(4) RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal awards expenditures are reported on the statement of activities and functional expenses as program services. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the schedule of expenditures of federal awards due to program expenditures exceeding grant or contract budget limitations which are not included as federal awards.

SCHOOL-BASED HEALTH ALLIANCE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended September 30, 2017

There were no audit findings for the year ended September 30, 2016.



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

**Board of Directors
School-Based Health Alliance
Washington, D.C.**

We have audited, in accordance with U.S. generally accepted auditing standards 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 School-Based Health Alliance (the "**Alliance**") (a non-profit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, 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 15, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Alliance'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 Alliance's internal control. Accordingly, we do not express an opinion on the effectiveness of the Alliance'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 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 Alliance'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 Alliance'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 Alliance's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BBD, LLP.

Philadelphia, Pennsylvania
March 15, 2018



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

**Board of Directors
School-Based Health Alliance
Washington, D.C.**

Report on Compliance for Major Federal Program

We have audited School-Based Health Alliance's (the "**Alliance**") compliance with the types of compliance requirements described in the **OMB Compliance Supplement** that could have a direct and material effect on the Alliance's major federal program for the year ended September 30, 2017. The Alliance'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 the Alliance'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 U.S. generally accepted auditing standards; the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* ("**CFR**") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "**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 Alliance'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 the major federal program. However, our audit does not provide a legal determination of the Alliance's compliance.

Opinion on Major Federal Program

In our opinion, the Alliance 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, 2017.

Report on Internal Control Over Compliance

Management of the Alliance 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 Alliance's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Alliance'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.

BBD, LLP.

Philadelphia, Pennsylvania
March 15, 2018

SCHOOL-BASED HEALTH ALLIANCE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2017

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the School-Based Health Alliance were presented in accordance with GAAP.
2. No 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 School-Based Health Alliance were disclosed during the audit.
4. No 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 auditor's report on compliance for the major federal award program expresses an unmodified opinion on the major federal program.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance are reported in this schedule.
7. The program tested as a major program was:
 - U.S. Department of Health and Human Services
 - Maternal and Child Health Federal Consolidated – CFDA Number 93.110
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The School-Based Health Alliance did qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None