

ACCESS COMMUNITY HEALTH NETWORK

Financial Statements and Single Audit Reports

Years ended June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)



ACCESS COMMUNITY HEALTH NETWORK

TABLE OF CONTENTS

	<u>Page(s)</u>
PART I - FINANCIAL	
Independent Auditors' Report.....	1
Statements of Financial Position.....	2
Statements of Operations and Changes in Net Assets.....	3
Statements of Cash Flows.....	4
Notes to Financial Statements.....	5 - 17
Supplementary Information:	
Schedule of Expenditures of Federal Awards.....	18 - 20
Illinois Department of Human Services Grant Reports.....	21 - 22
PART II – GOVERNMENT AUDITING STANDARDS	
Independent Auditors' Report On Compliance and Other Matters and On Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.....	23 - 24
PART III – OMB CIRCULAR A-133	
Independent Auditors' Report On Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	25 - 26
PART IV – SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	
	27 - 28

PART I - FINANCIAL



8334 South Stony Island Avenue
Chicago, IL 60617

(773) 731-1300
fax (773) 731-1301
www.benfordbrown.com

Independent Auditors' Report

The Board of Directors
Access Community Health Network:

We have audited the accompanying statements of financial position of Access Community Health Network (ACCESS), as of June 30, 2012 and 2011, and the related statements of operations and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of ACCESS' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Access Community Health Network as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2012 on our consideration of ACCESS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The accompanying Grant Reports are presented for additional analysis as required by the Illinois Department of Human Services. 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.

Benford Brown & Associates, LLC
Chicago, IL
September 14, 2012

ACCESS COMMUNITY HEALTH NETWORK

Statements of Financial Position

June 30, 2012 and 2011

Assets	2012	2011
Current assets:		
Cash and cash equivalents	\$ 2,002,652	\$ 4,040,772
Patient accounts receivable (less: allowances for uncollectible accounts of \$9,855,701 and \$10,258,651 as of June 30, 2012 and 2011) (note 3)	12,584,539	9,981,195
Managed care receivables	1,872,243	1,345,677
Contracts, grants and contributions receivable (less: allowances for uncollectible accounts of \$84,195 and \$150,387 as of June 30, 2012 and 2011)	2,338,544	4,108,077
Other receivables	818,557	847,955
Prepaid expenses	720,399	324,893
Total current assets	20,336,934	20,648,569
Noncurrent assets:		
Land	342,415	342,415
Buildings and improvements	12,205,661	12,203,661
Leasehold improvements	12,026,098	10,497,534
Office equipment	23,024,699	20,891,014
Less: accumulated depreciation	(19,894,185)	(17,229,154)
Total noncurrent assets	27,704,688	26,705,470
Total assets	\$ 48,041,622	\$ 47,354,039
Liabilities and Net Assets		
Current liabilities:		
Accounts and claims payable	\$ 11,780,316	\$ 10,325,353
Incurred but not reported (IBNR) claims (note 5)	3,277,372	3,874,456
Accrued salaries, payroll taxes and employee benefits	7,273,513	8,905,740
Line of credit (note 8)	14,233,262	14,035,732
Long-term debt - current portion (note 7)	1,683,338	2,073,550
Total current liabilities	38,247,801	39,214,831
Noncurrent liabilities:		
Long-term debt - noncurrent portion (note 7)	3,292,643	4,268,213
Total noncurrent liabilities	3,292,643	4,268,213
Total liabilities	41,540,444	43,483,044
Net assets:		
Unrestricted	6,225,008	3,553,130
Temporarily restricted (note 10)	276,170	317,865
Total net assets	6,501,178	3,870,995
Total liabilities and net assets	\$ 48,041,622	\$ 47,354,039

The accompanying notes are an integral part of these financial statements.

ACCESS COMMUNITY HEALTH NETWORK

Statements of Operations and Changes in Net Assets

For the years ended June 30, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily restricted	Totals	Unrestricted	Temporarily restricted	Totals
Revenue:						
Net patient service revenue	\$ 59,125,827	-	\$ 59,125,827	\$ 69,656,263	-	\$ 69,656,263
Capitation revenue	30,536,433	-	30,536,433	31,325,584	-	31,325,584
Total revenue	89,662,260	-	89,662,260	100,981,847	-	100,981,847
Support and other revenue:						
Government grants and contracts	21,699,718	105,379	21,805,097	23,246,956	-	23,246,956
Private grants and contributions	589,820	213,756	803,576	1,269,236	191,675	1,460,911
Affiliation grants and contracts	2,346,733	-	2,346,733	2,738,105	-	2,738,105
Other revenue	10,729,896	-	10,729,896	4,616,025	-	4,616,025
Net assets released from restrictions	360,830	(360,830)	-	864,276	(864,276)	-
Total support and other revenue	35,726,997	(41,695)	35,685,302	32,734,598	(672,601)	32,061,997
Total revenue, support and other revenue	125,389,257	(41,695)	125,347,562	133,716,445	(672,601)	133,043,844
Expenses:						
Salaries, wages, and benefits	64,496,724	-	64,496,724	68,022,804	-	68,022,804
Purchased services	15,505,104	-	15,505,104	27,424,276	-	27,424,276
Referred medical services	7,759,459	-	7,759,459	11,631,621	-	11,631,621
Supplies	3,219,598	-	3,219,598	3,783,014	-	3,783,014
Occupancy	13,332,362	-	13,332,362	12,124,496	-	12,124,496
Insurance and interest	1,591,375	-	1,591,375	1,360,084	-	1,360,084
Provision for bad debts	8,170,368	-	8,170,368	8,979,025	-	8,979,025
Provision for depreciation and amortization	3,514,878	-	3,514,878	3,279,169	-	3,279,169
Other	5,127,511	-	5,127,511	2,576,684	-	2,576,684
Total expenses	122,717,379	-	122,717,379	139,181,173	-	139,181,173
Net increase/(decrease) in net assets	2,671,878	(41,695)	2,630,183	(5,464,728)	(672,601)	(6,137,329)
Net assets as of July 1, 2011 and 2010	3,553,130	317,865	3,870,995	15,788,509	990,466	16,778,975
Prior period adjustments (note 16)	-	-	-	(6,770,651)	-	(6,770,651)
Net assets as of July 1, 2011 and 2010, as restated	3,553,130	317,865	3,870,995	9,017,858	990,466	10,008,324
Net assets as of June 30, 2012 and 2011	\$ 6,225,008	276,170	\$ 6,501,178	\$ 3,553,130	317,865	\$ 3,870,995

The accompanying notes are an integral part of these financial statements.

ACCESS COMMUNITY HEALTH NETWORK

Statements of Cash Flows

For the years ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Net increase/(decrease) in net assets	\$ 2,630,183	\$ (6,137,329)
Adjustments to reconcile net increase/(decrease) in net assets to cash used in operating activities:		
Provision for depreciation and amortization	3,514,878	3,279,169
Provision for bad debts	8,170,368	8,979,025
Decrease/(increase) in net patient accounts receivable	(10,773,712)	5,828,942
Increase in managed care receivables	(526,566)	(787,751)
Decrease in contracts, grants and contributions receivable	1,769,533	389,326
Decrease/(increase) in other receivables	29,398	(516,595)
Decrease/(increase) in prepaid expenses	(395,506)	364,925
Increase/(decrease) in accounts payable and accrued expenses	857,879	(980,291)
Decrease in accrued salaries, payroll taxes and employee benefits	(1,632,228)	(601,398)
Prior period adjustments (note 16)	-	(6,770,651)
Net cash provided by operating activities	3,644,227	3,047,372
Cash flows from investing activities:		
Purchases of fixed assets	(4,514,096)	(7,432,202)
Net cash used in investing activities	(4,514,096)	(7,432,202)
Cash flows from financing activities:		
Proceeds from line of credit	1,697,530	1,500,000
Payments towards line of credit	(1,500,000)	(131,838)
Principal payments towards long-term debt	(1,365,782)	(933,544)
Net cash provided by/(used in) financing activities	(1,168,252)	434,618
Net decrease in cash	(2,038,121)	(3,950,212)
Cash as of July 1, 2011 and 2010	4,040,772	7,990,984
Cash as of June 30, 2012 and 2011	\$ 2,002,652	\$ 4,040,772
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 97,194	\$ 1,098,063

The accompanying notes are an integral part of these financial statements.

ACCESS COMMUNITY HEALTH NETWORK

Notes to Financial Statements

June 30, 2012 and 2011

(1) Organization Description

Access Community Health Network (ACCESS) is one of the nation's largest private providers of federally qualified health care, providing primary care, specialty services and social services to more than 200,000 patients annually in the greater Chicago area. ACCESS provides a "health care home" for medically underserved, low income and uninsured patients of all ages.

The mission of ACCESS is to provide outstanding preventive and primary health care, accessible to all in their own communities. With its integrated service delivery model, wide-ranging partnerships, and teaching and research programs, ACCESS offers a nationally recognized model for expanding quality health care for underserved populations.

ACCESS is an Illinois not-for-profit corporation and is exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code.

(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 accounting principles generally accepted in the United States of America. ACCESS maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

These financial statements have been prepared to focus on ACCESS as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets – permanently restricted, temporarily restricted or unrestricted, as recommended by the Financial Accounting Standards Board (FASB) in its Accounting Codification Standards (ACS) No. 958-205, "Not-for-Profit Entities, Presentation of Financial Statements".

Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets: Net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met by actions of ACCESS and/or passage of time. As of June 30, 2012 and 2011, ACCESS maintained temporarily restricted net assets of \$276,170 and \$317,865, respectively.

ACCESS COMMUNITY HEALTH NETWORK

Notes to Financial Statements

June 30, 2012 and 2011

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained by ACCESS. Generally, the donors to these assets permit ACCESS to use all or part of the income earned on related investments for general or specific purposes. As of June 30, 2012 and 2011, ACCESS maintained no permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although estimates are considered fairly stated at the time made, actual results could differ from those estimates. Significant estimates in the accompanying financial statements include contractual allowance reserves, allowance for uncollectible accounts, and incurred but not recorded claims payables.

Cash and Cash Equivalents

ACCESS considers cash on deposit at banks and highly liquid investments with maturities of three (3) months or less at the date of purchase to be cash and cash equivalents.

Patient Accounts Receivable

Patient accounts receivable are stated at net realizable value. ACCESS maintains allowances for uncollectible accounts for estimated losses resulting in a payor's inability to make payments on accounts. ACCESS estimates the allowance for uncollectible accounts based on management's assessment of historical and expected net collections considering historical and current business and economic conditions, trends in healthcare coverage, and other collection indicators. Accounts are generally written off when collection efforts have been exhausted.

ACCESS COMMUNITY HEALTH NETWORK

Notes to Financial Statements

June 30, 2012 and 2011

Investments

ACCESS accounts for investments in accordance with FASB ASC 954-320, "Health Care Entities, Investments-Debt and Equity Securities". Under FASB ASC 954-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or use) in the reporting period in which the income and gains are recognized.

Fixed Assets

Fixed asset purchases greater than \$5,000 are capitalized and stated at cost. Provisions for depreciation of buildings, office equipment and leasehold improvements are computed using the straight-line method based upon the estimated useful lives of the related assets which range from 3 - 40 years. Depreciation expense was \$3,514,878 and \$3,279,169 in 2012 and 2011, respectively.

Impairment of Long-Lived Assets

ACCESS reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Income Taxes

ACCESS is recognized as a tax-exempt organization under Section 501(c)3 of the Internal Revenue Code and is exempt from federal and state income taxes on related income. ACCESS had no unrelated business income during fiscal years 2012 and 2011, and therefore, no provision for federal or state income taxes has been made in the accompanying financial statements. In addition, ACCESS has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Net Patient Service Revenue

ACCESS accounts for net patient service revenue in accordance with FASB ASC 954-605, "Health Care Entities, Revenue Recognition". ACCESS has agreements with third-party payers that provide for payments at amounts different from its established rates. Payment arrangements

ACCESS COMMUNITY HEALTH NETWORK

Notes to Financial Statements

June 30, 2012 and 2011

include prospectively determined rates per admission or visit, reimbursed costs, discounted charges, and per diem rates. Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated adjustments under reimbursement agreements with third-party payors, certain of which are subject to audit by administering agencies. These adjustments are accrued on an estimated basis and are adjusted, as needed, in future periods.

Charity Care and Community Services

ACCESS provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. ACCESS' policy is to treat patients in need of medical services without regard to their ability to pay for such services. ACCESS maintains records to identify and record the level of charity care it provides. These records include the amount of charges foregone for services furnished under its charity care policy, which totaled \$21,963,456 and \$31,193,183 for the years ended June 30, 2012 and 2011, respectively.

Contributions

ACCESS accounts for contributions in accordance with FASB ASC 958-605, "Not-for-Profit Entities, Revenue Recognition". Per FASB ASC 958-605, contributions, including unconditional promises-to-give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions from unconditional promises to give that are to be received after one year are discounted at an appropriate discount rate based on an average Federal Funds rate.

Government Grants and Contracts

ACCESS has several contracts with government agencies to fund its various programs. These programs involved providing health care services, health care research, capital improvements, and various counseling services. Expenditures are charged to these programs to the extent that such expenditures are reimbursable by the various funding agencies. These expenditures are subject to audit and acceptance by the funding agencies and, as a result of such audit, adjustments could be required. Management does not anticipate any adjustments for the revenue shown as of June 30, 2012 from these sources.

Prior Period Comparative Information

Certain prior year amounts have been reclassified to conform with the presentation of fiscal year 2012 financial statements and notes to the financial statements.

ACCESS COMMUNITY HEALTH NETWORK

Notes to Financial Statements

June 30, 2012 and 2011

Recent Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-07, Not-for-Profit Entities (Topic 958) – Mergers and Acquisitions. ASU 2010-07 establishes principles and requirements for accounting for mergers and acquisitions by not-for-profit entities, provides guidance on determining whether a business combination is a merger or acquisition, describes the carryover method for accounting for a merger, describes the acquisition method of accounting for an acquisition, including how to determine which of the combining entities is the acquirer, and describes required financial statement disclosures. The adoption of this guidance, which is effective for organizations with a fiscal year beginning after December 15, 2009, did not have a material impact on ACCESS' financial statements.

In July 2011, the FASB issued ASU 2011-07, Health Care Entities (Topic 954) – Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities. ASU 2011-07 requires that certain health care entities change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, those health care entities are required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts. ASU 2011-07 also requires disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The adoption of this guidance is effective for organizations with a fiscal year ending after December 15, 2012. ACCESS plans to adopt this pronouncement during the fiscal year ending June 30, 2013.

In August 2011, the FASB issued ASU 2011-23, Health Care Entities (Topic 954) – Measuring Charity Care for Disclosure. ASU 2011-23 requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing the charity care, as well as disclosure of the methodology of determining those costs. The adoption of this guidance is effective for organizations with a fiscal year beginning after December 15, 2011. ACCESS will adopt this pronouncement during the fiscal year ending June 30, 2013.

In August 2011, the FASB issued ASU 2011-24, Health Care Entities (Topic 954) – Presentation of Insurance Claims and Related Insurance Recoveries. ASU 2011-24 requires that health care entities not net insurance recoveries against related claim liabilities and to determine claim liabilities without consideration of insurance recoveries. The adoption of this guidance is effective for organizations with a fiscal year beginning after December 15, 2011. ACCESS adopted this guidance during fiscal year ending June 30, 2012. The guidance does not have a material impact on ACCESS' financials.

ACCESS COMMUNITY HEALTH NETWORK

Notes to Financial Statements

June 30, 2012 and 2011

Change in Accounting Estimate

ACCESS' policy is to annually review its bad debt expenses estimation and the related allowance for doubtful accounts. This review during fiscal year 2012 indicated that the balance of the allowance for doubtful accounts was understated as of June 30, 2011 and prior years. In addition, the Public Act 097-0689 relating to the Save Medicaid Access and Resources Together (SMART) Act, implemented a 180 day claim reimbursement policy change effective July 1, 2012. As a result, ACCESS changed its methodology of estimating bad debt expenses by using the balance sheet method instead of the income statement method. The new estimate consists of an estimated uncollectible percentage applied to net patient accounts receivable. The estimate is based on the amount of net patient accounts receivable written off during past years. The effect of this change was to decrease the beginning net assets balance and increase the bad debt expense for June 30, 2011 by \$6,530,651.

(3) Contractual Arrangements with Third-Party Payers

ACCESS provides care to certain patients under Medicare and Medicaid payment arrangements. The Medicare program provides payment for covered services at rates established annually based on reimbursable costs subject to certain limits. The Medicaid reimbursement agreement pays ACCESS for covered services at predetermined rates.

ACCESS also has contractual arrangements with various Health Maintenance and Preferred Provider Organizations (HMO/PPO), the terms of which call for ACCESS to be paid for covered services at negotiated rates.

Provision has been made in the financial statements for estimated contractual adjustments, which represent the difference between the charges for service and estimated payments.

Revenue recognized under the Medicare and Medicaid reimbursement arrangements amounted to \$48,482,749 and \$55,342,793 for the years ended June 30, 2012 and 2011, respectively. Revenue received under HMO/PPO reimbursement arrangements amounted to \$30,536,433 and \$31,325,584 for the years ended June 30, 2012 and 2011, respectively.

Major components of patient accounts receivable include approximately 73% and 72% from Medicare and Medicaid for the years ended June 30, 2012 and 2011, respectively.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the next term. ACCESS believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of possible wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to

ACCESS COMMUNITY HEALTH NETWORK

Notes to Financial Statements

June 30, 2012 and 2011

future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

(4) Fair Value of Financial Instruments – Liquidated 8/11

ACCESS liquidated the financial instrument in August 2011 for which they received \$48,771 which was the value at June 30, 2011.

(5) Incurred but Not Reported Claims (IBNR)

ACCESS enters into capitation arrangements whereby ACCESS accepts the risk for the provision of certain health care services to health plan members. Under these agreements, ACCESS is financially responsible for services provided to the health plan members by most institutional health care providers. Capitation premiums received and accrued based on health plan members are recorded as capitation revenue in the statement of operations and changes in net assets.

Reserves for incurred, but not reported claims (IBNR) have been established to cover the unpaid costs of these services. The liability is estimated based on historical reporting and payment trends. Subsequent actual claim experience will differ from the estimated liability due to variances in estimated and actual utilization of health care services, the amount of charges, and other factors. As settlements are made and estimates are revised, the differences are reflected in current operations. The IBNR liability amounted to \$3,277,372 and \$3,874,456 for June 30, 2012 and 2011, respectively.

(6) Operating Leases

ACCESS leases property and equipment under noncancelable operating leases. Rental expense amounted to \$8,877,667 and \$7,795,584 for the years ended June 30, 2012 and 2011, respectively. These amounts are included under occupancy in the statements of operations and changes in net assets.

The aggregate minimum rental commitments under all noncancelable operating leases at June 30, 2012 are as follows:

	<u>Amount</u>
June 30, 2013	\$ 7,865,799
June 30, 2014	6,498,200
June 30, 2015	6,191,130
June 30, 2016	6,164,760
June 30, 2017	5,842,946

ACCESS COMMUNITY HEALTH NETWORK

Notes to Financial Statements

June 30, 2012 and 2011

Thereafter	<u>20,604,661</u>
Totals	<u>\$ 53,167,496</u>

(7) Long-Term Debt

Long-term debt consists of the following at June 30:

	<u>2012</u>	<u>2011</u>
Promissory note payable to Illinois Facilities Fund, maturing November 1, 2014, adjustable rate interest, payable in monthly installments, and secured by building. (ACCESS La Villita)	\$ 79,725	\$ 115,191
Note payable to Joseph Lee and Sharon Halliday (collectively), maturing June 1, 2022, bearing stated interest at 7.5%, payable in monthly installments. (ACCESS Pilsen Family Health Center)	271,465	289,053
Promissory note to Solomon Dayan, maturing December 1, 2013, bearing stated interest at 8.5%, payable in monthly installments. (ACCESS Des Plaines Valley Health Center)	49,170	76,995
Mortgage payable to MB Financial Bank, maturing September 15, 2012, bearing stated interest at 7.26%, payable in monthly installments, and secured by building. (ACCESS Blue Island Family Health Center)	707,770	1,163,258
Promissory note payable to Mount Sinai Hospital Medical Center, maturing June 30, 2016, bearing stated interest at 7.00%, payable in monthly installments.	<u>3,867,851</u>	<u>4,697,266</u>
Subtotal	<u>4,975,981</u>	<u>6,341,763</u>
Less: current maturities	<u>1,683,338</u>	<u>2,073,550</u>
Total	<u>\$ 3,292,643</u>	<u>\$ 4,268,213</u>

ACCESS COMMUNITY HEALTH NETWORK

Notes to Financial Statements

June 30, 2012 and 2011

Future maturities of long-term debt are as follows as of June 30, 2012:

	<u>Amount</u>
June 30, 2013	\$ 1,683,338
June 30, 2014	1,031,498
June 30, 2015	1,048,856
June 30, 2016	1,025,919
June 30, 2017	25,557
Thereafter	<u>160,813</u>
Totals	<u>\$ 4,975,981</u>

(8) Lines of Credit

ACCESS and MB Financial entered into a loan agreement on October 16, 2006 providing a line of credit with a maximum limit of \$4,000,000 with a maturity date of September 15, 2011. The loan agreement has a debt covenant that requires ACCESS' debt service coverage ratio to be greater or equal to 1.50 and measured on a quarterly basis for each quarter then ended on a trailing twelve (12) month basis from the end of each quarter. The ratio is calculated by taking ACCESS' earnings before interest, taxes, depreciation and amortization expense ("EBITDA") divided by the current maturities of long term debt and interest owed by ACCESS. ACCESS incurred a loss of approximately \$6,137,000 in fiscal year 2011 and continued to experience certain decreases in working capital. As a result, ACCESS was in technical default of its loan agreement with MB Financial as of March 31, 2011 and again as of June 30, 2011 with a ratio of (.89). Regardless of the noncompliance with the debt covenant, ACCESS remained current with its scheduled payments of principal and interest for the line of credit. ACCESS had an outstanding balance on the loan of \$0 and \$1,500,000 as of June 30, 2012 and 2011, respectively. The outstanding balance was paid in full on July 6, 2011.

In addition, ACCESS maintains a line of credit with Sinai Health System and Affiliates who charges ACCESS interest on the amounts due to them. Management of ACCESS and Sinai Health System and Affiliates agreed upon the annual interest rate, which was 5% for fiscal years 2012 and 2011. Interest expense was \$702,628 and \$749,515 for the fiscal years ended June 30, 2012 and 2011, respectively. This interest expense was specific to the line of credit balances and was included as a part of insurance and interest on the statement of operations and changes in net assets. ACCESS' line of credit balance with Sinai Health System and Affiliates was \$14,233,262 and \$12,504,834 for the fiscal years ended June 30, 2012 and 2011, respectively.

ACCESS also holds a note payable to Mount Sinai Hospital Medical Center which is detailed in footnote 7. Interest expense was \$302,534 and \$297,596 for the years ended June 30, 2012 and

ACCESS COMMUNITY HEALTH NETWORK

Notes to Financial Statements

June 30, 2012 and 2011

2011, respectively. This interest expense was specific to the note payable and was included as a part of insurance and interest on the statement of operations and changes in net assets.

During FY2012, ACCESS' management retained counsel to research the origin of its debt to Sinai Health System and Affiliates and the related transaction history, including the validity of the debt and the amount due. Based upon their research ACCESS' management is disputing the validity and the amount of the debt, and subsequent to June 30, 2012 communicated such in a letter from their attorneys. As of the date of issuance of this report, this has had no material effect upon the financial statements.

(9) Benefit Plan

ACCESS maintains a 403(b) plan covering substantially all employees who meet certain age and service requirements. Under terms of the plan employees under the age of 50 years were able to contribute the lower of \$16,500 or 100% of their annual compensation for fiscal years 2012 and 2011. The maximum contribution for employees at or above the age of 50 years was the lower of \$22,000 or 100% of their annual compensation for fiscal years 2012 and 2011. ACCESS' contribution is discretionary and ACCESS did not make a contribution for the years ended June 30, 2012 and 2011, respectively.

ACCESS' pension expense was \$0 for both of the years ended June 30, 2012 and 2011.

(10) Temporarily Restricted Net Assets

Temporarily restricted net assets are approximately as follows at June 30:

	<u>2012</u>	<u>2011</u>
Temporarily restricted for program services	<u>\$ 276,170</u>	<u>\$ 317,865</u>

(11) Significant Concentrations

Financial instruments that potentially subject the organization to concentration of credit risk consist of cash deposits. ACCESS maintains bank accounts at several local banks that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. During fiscal year 2012 ACCESS invested its cash in excess of normal FDIC insured limits into certificates of deposit through the CDARS program. This program allows for companies with large cash deposits to be able to obtain certificates of deposit through financial institutions participating in the CDARS program and maintain FDIC insurance over the deposits up to \$50,000,000. As a result of utilizing the CDARS program, ACCESS had no uninsured deposits at June 30, 2012 and 2011.

ACCESS COMMUNITY HEALTH NETWORK

Notes to Financial Statements

June 30, 2012 and 2011

(12) Legal Proceedings

There are several lawsuits that are pending against ACCESS. The consequences of these matters are not presently determinable, but after consulting with legal counsel and taking into account insurance, reserves, and liability limitations as a result of the Federal Tort Claims Act, management has determined that the ultimate liability is not expected to have a material effect on annual results of activities, financial position, liquidity or capital resources of ACCESS.

(13) Functional Expenses

The operating expenses in the statements of operations primarily relates to the following:

Program services	\$ 86,968,030
Supporting services:	
Management and general	35,723,184
Fundraising	<u>26,165</u>
Total expenses	<u>\$ 122,717,379</u>

(14) Commitments and Contingencies

Litigation

In addition to professional liability claims, ACCESS is involved in litigation arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on ACCESS' consolidated financial position, results of operations and cash flows.

Regulatory Environment Including Fraud and Abuse Matters

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that ACCESS is in compliance with fraud and abuse and other applicable government laws and regulations. While no regulatory inquiries that are expected to have an material adverse effect on ACCESS have been made, compliance with

ACCESS COMMUNITY HEALTH NETWORK

Notes to Financial Statements

June 30, 2012 and 2011

such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

CMS Recovery Audit Contractor Program

Congress passed the Medicare Modernization Act in 2003, which among other things, established a three-year demonstration of the Medicare Recovery Audit Contractor (RAC) program. The RAC's identified and corrected a significant amount of improper overpayments to providers. In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorized the expansion of the RAC program to all 50 states by 2011. At June 30, 2012, ACCESS has not recorded any liabilities nor anticipates any liabilities for estimated amounts that will be repaid under the RAC program based on ACCESS' RAC program experience to date.

Patient Protection and Affordable Health Care and Reconciliation Act

On March 23, 2011, President Barack Obama signed into law the Patient Protection and Affordable Health Care and Reconciliation Act. Under the law insurance coverage is to be expanded to an additional 32 million Americans, reduce the growth in Medicare expenditures, dramatically reform insurance markets, and continue progress towards value-based payment. The Reconciliation Act amends various provisions of the Patient Protection and Affordable Health Care Act and adds some new provisions that were not originally included.

(15) Subsequent Events

For the fiscal years ending June 30, 2012 and 2011, ACCESS' management has evaluated subsequent events through September 14, 2012, which is the date the financial statements were available to be issued. As described in footnote 8, ACCESS' management has communicated to Sinai Health System and Affiliates its dispute of the validity and the amount of its debt to them. No other subsequent events have been identified that are required to be disclosed through that date.

(16) Prior Period Adjustment

During fiscal year 2012, the unrestricted net assets balance was restated to reflect changes to bad debt, allowance for uncollectible accounts, accrued salaries and wages, and grants receivable accounts, as noted in footnote 2. Management changed its accounting policy for recording bad debt and the allowance for uncollectible accounts which resulted in a restatement of the prior year financials. Additionally, management identified accruals that should have been recognized in the prior fiscal year that affected accrued salaries and wages, and grants receivable. The prior period adjustments were as follows:

ACCESS COMMUNITY HEALTH NETWORK

Notes to Financial Statements

June 30, 2012 and 2011

Net assets at July 1, 2011:

Unrestricted	\$ 15,788,509
Adjustments to unrestricted net assets:	
To properly state allowance for uncollectible accounts	(6,530,651)
To properly state accrued salaries and wages	(290,000)
To properly state grants accounts receivable	<u>50,000</u>
Subtotal	<u>(6,770,651)</u>
Unrestricted net assets at July 1, 2011, as restated:	<u>\$ 9,017,858</u>

(17) Schedule of Expenditures of Federal Awards

Basis of Presentation

The Schedule of Expenditures of Federal Awards (Schedule) has been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Schedule includes the federal grant activity of ACCESS and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Sub-recipients

ACCESS did not make any disbursements to subrecipients during the fiscal year.

Non-cash Assistance

ACCESS did not receive any federal non-cash assistance during the fiscal year.

Insurance

ACCESS had no federally funded insurance in effect during the fiscal year.

Loans

ACCESS did not have any federal loans or loan guarantees outstanding as of June 30, 2012.

SUPPLEMENTAL INFORMATION

ACCESS COMMUNITY HEALTH NETWORK

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/Grant Title	CFDA Number	Grant/Award Number	Expenditures
<u>Major Programs</u>			
U.S. Department of Health and Human Services -			
Substance Abuse and Mental Health Services Projects of Regional and National Significance Program (SAMHSA):			
Women Returning Home: Substance Abuse Treatment & HIV/AIDS Services grant	93.243	5H79TI018734-04	132,996
Women Returning Home: Substance Abuse Treatment & HIV/AIDS Services grant	93.243	5H79TI018734-05	310,491
West Side Women Connect grant	93.243	5U79SP016454-02	110,295
West Side Women Connect grant	93.243	1U79SP016454-03	237,965
SAMHSA - SBIRT at ACCESS grant	93.243	5U79TI020284-03	131,839
SAMHSA - SBIRT at ACCESS grant	93.243	5U79TI020284-04	158,885
SAMHSA - Sista Connect grant	93.243	5U79SP015211-03	137,734
SAMHSA - Sista Connect grant	93.243	5U79SP015211-04	183,911
Passed through the State of Illinois Department of Human Services IL SBIRT II - Initiative	93.243	43CQ004356	179,498
Subtotal			1,583,615
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease:			
HIV/AIDS Early Intervention Services grant	93.918	6 H76HA00550-12-04	653,675
HIV Capacity Development and Planning Grants - Title III	93.918	1P06HA20630-01-00	3,950
Subtotal			657,625
Healthy Start Initiative Program:			
West Side Healthy Start (Eliminating Disparities in Prenatal Health) grant	93.926	5-H49MC00098-10-03	1,595,989
West Side Healthy Start (Eliminating Disparities in Prenatal Health) grant	93.926	5-H49MC00098-12-00	123,285
Subtotal			1,719,274
Adolescent Family Life Demonstration Projects Program:			
Chicago Parenting Initiative grant	93.995	6 APHPA0096065-02-02	666,680
Total Expenditures of Major Programs			4,627,193
<u>Nonmajor Programs</u>			
U.S. Department of Housing and Urban Development -			
Passed through the City of Chicago Department of Health:			
Community Development Block Grants/Entitlement Grants Program:			
Prevention HIV grant (2011)	14.218	25369	17,760
Prevention HIV grant (2012)	14.218	23585	39,206
Subtotal			56,966
U.S. Department of Housing and Urban Development -			
Passed through Pillars:			
Project Wellness Initiative Network (WIN)	14.235	IL01-B0111002	15,543
U.S. Department of Labor-			
WIA Pilots, Demonstrations, and Research Projects Program			
	17.261	EA-21256-11-60-A-17	169,244
U.S. Department of Health and Human Services -			
Passed through the National Center for Chronic Disease Prevention and Health Promotion:			
Access Heart Healthy grant	93.068	1H75DP002343-01	36,590
Maternal and Child Health Federal Consolidated Programs:			
Healthy Tomorrows Partnership for Children grant	93.110	5 H17MC11290-03-00	35,628
Healthy Tomorrows Partnership for Children grant	93.110	5 H17MC11290-04-00	20,457

ACCESS COMMUNITY HEALTH NETWORK

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/Grant Title	CFDA Number	Grant/Award Number	Expenditures
Passed through Illinois Department of Human Services: Family Case Management (Special Project Woman's Health Behavior) grant	93.110	011GQ01374	17,470
Subtotal			73,556
Coordinated Services and Access to Research for Women, Infants, Children, and Youth Program: Ryan White Part D grant	93.153	5-H12HA23013-10-01	28,068
Ryan White Part D grant	93.153	5-H12HA23013-11-01	266,725
Subtotal			294,793
U.S. Department of Health and Human Services - Family Planning Services Program: Passed through the State of Illinois Department of Human Services: Title X Family Planning grant	93.217	011GQ01081	258,238
Community Health Centers Program: Community Health Centers grant	93.224	6 H80CS00834-10-05	7,579,393
Community Health Centers grant	93.224	6 H80CS00834-11-03	2,286,582
Passed through Heartland Health Outreach: Community Health Centers grant	93.224	H80CS00111	256,309
Subtotal			10,122,284
National Research Service Awards Health Services Research Training Program: A Toolkit for Primary Care Practices to Improve the Safety of Testing Processes grant	93.226	5R18HS017911-03	135,423
Passed through University of Chicago: Network Supported Engagement in HIV Care for Younger Black Men grant	93.242	R34MH097622	728
Centers for Disease Control and Prevention Investigations and Technical Assistance Program: Passed through the Illinois Department of Health: Breast and Cervical Cancer Outreach grant	93.283	26180001	141,453
PIN-A-SISTER Campaign grant	93.283	1H75DP002732-01	18,433
Subtotal			159,886
Passed through University of Illinois-Chicago: Research National Institute of Nursing (Improving Diabetes) grant EHR-Based Health Literacy Strategy to Improve Medication Therapy management	93.361	5R01NR01313-05	77,753
Passed through the National Institute of Health: Diabetes, Digestive, and Kidney Diseases Extramural Research Program: Research - CTSA Infrastructure grant	93.383	5 UL1RR024999	33,475
Passed through the National Cancer Institute: Cancer Cause and Prevention Research Program: Cameron (Low-Literacy Physician-Patient Intervention Promotion Colorectal Cancer Screening) grant	93.393	R01 CA140177	130,262
CLOCC Healthy Places Program: Passed through Children's Memorial Hospital-Chicago: Category A-Communities Putting Prevention to Work	93.520	1U58DP002376-01	67,317

ACCESS COMMUNITY HEALTH NETWORK

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/Grant Title	CFDA Number	Grant/Award Number	Expenditures
Passed through Illinois Department of Human Services: Refugee and Entrant Assistance-State Administered Program: Refugee and Entrant Assistance-State CMA grant	93.566	81XQ356000	138,597
Passed through Illinois Department of Public Health for Minoirity Health Services: Refugee and Entrant Assistance-State Administered Program: Refugee and Entrant Assistance-State Administrative grant	93.566	20020180045	<u>32,832</u>
Subtotal			171,429
Social Services Block Grant (Title XX)	93.667	011GQ01801	163,348
Passed through the National Institute of Health: National Center for Research Resources, Recovery Act Construction Support Program: Research - NIH grant	93.702	1C06RR0305097-01	34,307
ARRA - Grants to Health Center Programs: ARRA - Capital Improvement Program (Kedzie) grant	93.703	C81CS14224-01-05	557,452
Passed through the National Institute of Health: Diabetes, Digestive, and Kidney Diseases Extramural Research Program: Chicago Center for Diabetes Transition Research	93.847	P30DK092949	9,024
Diabetes Research Training Center grant	93.847	P60DK20595	<u>74,100</u>
Subtotal			83,124
Passed through the City of Chicago: HIV Prevention Activities Health Department Based Program: Ryan White Part A-Primary Care grant	93.914	23796	198,228
Ryan White Part A-Supportive Services grant	93.914	23796	81,082
Ryan White Part A-Administration grant	93.914	23796	<u>29,502</u>
Subtotal			308,813
Passed through the AIDS Foundation of Chicago: HIV Care Formula Grants Program: Ryan White Part A grant - 2011	93.914	N/A	42,107
Ryan White Part A grant - 2012	93.914	N/A	<u>17,171</u>
Subtotal			59,278
Special Projects of National Significance Program: CDC Sista II grant	93.943	5U65PS002238-01	388,179
Passed through the City of Chicago: HIV Prevention Activities Health Department Based Program: HIV Prevention High Risk	93.940	25885	13,632
HIV Prevention Female Youth	93.940	25885	12,304
HIV Prevention Positive Youth	93.940	25885	<u>5,817</u>
Subtotal			31,753
Passed through Illinois Department of Human Services: Maternal and Child Health Services Block Grant	93.994	011GQ01801	<u>8,792</u>
Total Expenditures of Nonmajor Programs			<u>13,438,533</u>
Total Expenditures of Federal Awards			<u>\$ 18,065,726</u>



State of Illinois
 Illinois Department of Human Services

Grant Allowable Cost Summary

GRANT REPORT for the period July 1, 2011 through June 30, 2012

AGENCY NAME: Access Community Health Network

FEIN: 36-3317058

	Program Name/Number/Contract Identification	Number/Other	DHS GRANT-FUNDED SERVICES					All other Programs	Mgmt. & General	Total
			Program 1 Special Projects- Women's Health Behavior 011GQ01374	Program 2 Refugee Health 81XQ356000	Program 3	Program 4	Program 5			
A	Direct Program expenses		\$ 17,470	138,597				89,634,603	32,926,711	\$ 122,717,381
B	Allocate Management and General Costs (Note 1)		-					-	-	-
C	SUBTOTAL A + B		17,470	138,597				89,634,603	32,926,711	\$ 122,717,381
D	Subtract Unallowable costs per page 2		-	-						
E	Add other approved uses (attached documentation)		-	-						
F	TOTAL Allowable costs		\$ 17,470	\$ 138,597						
G	Special provisions (see instructions)		NONE	NONE						
H	Interest Earned (see instructions)		\$ -	\$ -						

NOTE 1: Management and general costs are allocated based on: ___ direct salaries, ___ total direct costs n/a other basis (attach explanation)



UNALLOWABLE COST REPORT

AGENCY NAME: Access Community Health Network

FEIN: 36-3317058

Program Name/Number/Contract Number	DHS Grant-Fund Services				
	Program 1	Program 2	Program 3	Program 4	Program 5
	Special Projects- Women's Health Behavior 011GQ01374	Refugee Health 81XQ356000			

Unallowable Costs (see instructions)

Compensation of Governing Body	\$ -	\$ -			
Entertainment	-	-			
Association Dues	-	-			
Meeting and Conventions	-	-			
Fundraising	-	-			
Bad Debt	-	-			
Charity and Grants	-	-			
Unallowable Interest	-	-			
Inventories	-	-			
Depreciation of DHS-funded Assets	-	-			
Cost of Production	-	-			
In-Kind Expenses	-	-			
Alcoholic Beverages	-	-			
Personal Automobile	-	-			
Fines and Penalties	-	-			
Personal Use Items	-	-			
Lobbying	-	-			
Unallowable Relocation	-	-			
Gratuities	-	-			
Political Contributions	-	-			
Related Party Transactions	-	-			
Costs Where a Conflict of Interest Exists	-	-			

Unallowable Cost if Program is Federally Funded
or Cost Restricted by Contract
(see instructions)

Explain:	N/A	N/A			
Explain:					

Total Unallowable Costs (to line D of Grant Report) - See below if None	\$ -	\$ -			
---	------	------	--	--	--

If no unallowable costs are listed, sign and date as follows:

I certify that no unallowable costs are included in either direct costs or allocated Management and General costs on the Grant Report.

Signature:

Date: September 14, 2012

Printed Name and Title: Mahomed Ouedraogo, Chief Financial Officer

Page 2 of 2

PART II – GOVERNMENT AUDITING STANDARDS

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

To the Board of Directors of
Access Community Health Network:

We have audited the financial statements of Access Community Health Network (ACCESS) as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated September 14, 2012. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACCESS' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of ACCESS' financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or

material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain matters that we reported to management of ACCESS in a separate letter dated September 14, 2012.

This report is intended solely for the information and use of ACCESS' Board of Directors, administration, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Benford Brown & Associates, LLC".

Benford Brown & Associates, LLC
Chicago, IL
September 14, 2012

PART III – OMB CIRCULAR A-133

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of
Access Community Health Network:

Compliance

We have audited the compliance of Access Community Health Network (ACCESS) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2012. ACCESS' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of ACCESS' administration. Our responsibility is to express an opinion on ACCESS' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ACCESS' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of ACCESS' compliance with those requirements.

In our opinion, ACCESS complied, in all material aspects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

This report is intended solely for the information and use of ACCESS' Board of Directors, administration, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Benford Brown & Associates, LLC
Chicago, IL
September 14, 2012

**PART IV – SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

ACCESS COMMUNITY HEALTH NETWORK

Schedule of Findings and Questioned Costs and Summary Schedule of Prior Audit Findings

June 30, 2012

Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918
Healthy Start Initiative Program	93.926
Adolescent Family Life Demonstration Projects Program	93.995

Findings Relating to the Financial Statements

None.

Findings and Questioned Costs Relating to Compliance Over Federal Awards

None.

Summary Schedule of Prior Audit Findings

None.