

COLLIER HEALTH SERVICES, INC.
IMMOKALEE, FLORIDA
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2012 AND 2011

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Collier Health Services, Inc.
Immokalee, Florida

We have audited the accompanying consolidated statements of financial position of Collier Health Services, Inc. and subsidiaries as of March 31, 2012 and 2011, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended. These consolidated financial statements are the responsibility of Collier Health Services, Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Integral Health Plan, Inc., a local affiliate, which statements reflect total assets of \$12,261,436 and \$8,409,168 as of March 31, 2012 and 2011, respectively, and total revenues and support of \$42,168,903 and \$20,434,364, respectively, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Integral Health Plan, Inc., is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Collier Health Services, Inc. and its subsidiaries as of March 31, 2012 and 2011, and the changes in their net assets and their 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 June 8, 2012, on our consideration of Collier Health Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements. The consolidated schedules of expenditures of federal awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 basic consolidated financial statements as a whole. The accompanying consolidating statements of financial position and consolidating statements of activities are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied during the audit of the consolidated financial statements, with the exception of Integral Health Plan, Inc., whose statements were audited by other auditors, and, in our opinion, are fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.



MYERS, BRETT HOLTZ & COMPANY, PA
Fort Myers, Florida
June 8, 2012

COLLIER HEALTH SERVICES, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31,

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 13,637,232	\$ 10,735,552
Cash and cash equivalents - Board designated	5,829,823	1,198,586
Certificates of deposit	1,459,941	1,625,663
Investments	753,516	720,295
Patient accounts receivable, net	2,347,684	1,384,387
Grants receivable	219,083	637,233
Other receivables	647,728	431,409
Pledged investments	1,382,976	1,027,702
Inventory	196,003	208,651
Prepaid expenses	82,713	126,712
Total current assets	26,556,699	18,096,190
 PROPERTY AND EQUIPMENT, net	 7,393,001	 7,076,805
 OTHER ASSETS		
Deposits	498,832	497,124
Total assets	\$ 34,448,532	\$ 25,670,119
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 3,688,910	\$ 2,246,218
Medical claims payable	4,870,433	2,048,618
Interest payable	179,920	226,448
Accrued liabilities	852,685	1,037,085
Pension plan payable	239,570	-
Compensated absences	1,513,232	1,329,381
Deferred revenue	-	3,364,110
Deferred compensation	428,080	120,832
Current portion of capital lease payable	133,433	125,227
Total current liabilities	11,906,263	10,497,919
 LONG-TERM LIABILITIES		
Capital lease payable, net of current portion	2,308,675	2,442,109
Note payable	3,310,878	3,310,878
Total long-term liabilities	5,619,553	5,752,987
 Total liabilities	17,525,816	16,250,906

	<u>2012</u>	<u>2011</u>
NET ASSETS		
Unrestricted, undesignated	3,166,382	572,152
Unrestricted, equity in property and equipment	7,393,001	7,076,805
Unrestricted, Board designated	5,829,823	1,198,586
Total unrestricted net assets	<u>16,389,206</u>	<u>8,847,543</u>
Temporarily restricted	<u>533,510</u>	<u>571,670</u>
Total net assets	<u>16,922,716</u>	<u>9,419,213</u>
Total liabilities and net assets	<u><u>\$ 34,448,532</u></u>	<u><u>\$ 25,670,119</u></u>

Read Independent Auditor's Report.
The accompanying notes are an integral
part of the consolidated financial statements.

COLLIER HEALTH SERVICES, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT			
Medicaid premium revenues	\$ 42,165,706	\$ -	\$ 42,165,706
Patient service fees, net	16,143,224	-	16,143,224
Federal grants	6,980,503	-	6,980,503
In-kind contributions	1,465,337	-	1,465,337
Other	604,551	-	604,551
Management fees	1,062,851	-	1,062,851
Contributions	165,764	310,346	476,110
Other grants	750,755	117,794	868,549
Fundraising	-	80,215	80,215
Interest and dividends	30,988	-	30,988
Unrealized gain on investments	21,317	-	21,317
Net assets released from restrictions	546,515	(546,515)	-
	<u>69,937,511</u>	<u>(38,160)</u>	<u>69,899,351</u>
EXPENSES			
Program services	59,653,096	-	59,653,096
Supporting services	2,742,752	-	2,742,752
	<u>62,395,848</u>	<u>-</u>	<u>62,395,848</u>
Increase (decrease) in net assets	7,541,663	(38,160)	7,503,503
NET ASSETS - April 1, 2011	<u>8,847,543</u>	<u>571,670</u>	<u>9,419,213</u>
NET ASSETS - March 31, 2012	<u>\$ 16,389,206</u>	<u>\$ 533,510</u>	<u>\$ 16,922,716</u>

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COLLIER HEALTH SERVICES, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2011

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Medicaid premium revenues	\$ 20,433,649	\$ -	\$ 20,433,649
Patient service fees, net	13,161,243	-	13,161,243
Federal grants	7,249,249	-	7,249,249
In-kind contributions	1,277,250	-	1,277,250
Other	838,988	-	838,988
Management fees	929,126	-	929,126
Contributions	28,370	398,483	426,853
Other grants	272,640	104,969	377,609
Fundraising	-	136,467	136,467
Interest and dividends	56,765	-	56,765
Unrealized gain on investments	51,994	-	51,994
Net assets released from restrictions	642,008	(642,008)	-
Total revenues and support	<u>44,941,282</u>	<u>(2,089)</u>	<u>44,939,193</u>
EXPENSES			
Program services	39,744,513	-	39,744,513
Supporting services	1,968,323	-	1,968,323
Total expenses	<u>41,712,836</u>	<u>-</u>	<u>41,712,836</u>
Increase (decrease) in net assets	3,228,446	(2,089)	3,226,357
NET ASSETS - April 1, 2010	<u>5,619,097</u>	<u>573,759</u>	<u>6,192,856</u>
NET ASSETS - March 31, 2011	<u>\$ 8,847,543</u>	<u>\$ 571,670</u>	<u>\$ 9,419,213</u>

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COLLIER HEALTH SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31,

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	<u>\$ 7,503,503</u>	<u>\$ 3,226,357</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	662,683	612,638
Provision for uncollectible accounts	437,143	518,962
Loss on disposal of assets	(14,945)	51,444
Non-cash donation of equipment	(8,662)	(56,000)
Non-cash contribution of stock	(5,088)	(11,122)
Unrealized gain on investments	(21,317)	(51,994)
Changes in:		
Patient accounts receivable	(1,400,440)	(1,167,248)
Grants receivable	418,150	(630,748)
Other receivables	(216,319)	711,266
Pledged investments	(355,274)	(1,027,702)
Inventory	12,648	(45,770)
Prepaid expenses	43,999	(47,882)
Deposits	(1,708)	(23,871)
Accounts payable	1,454,028	1,602,458
Medical claims payable	2,810,479	2,059,954
Interest payable	(46,528)	217,115
Accrued liabilities	(184,400)	203,806
Compensated absences	183,851	(51,797)
Deferred revenue	(3,364,110)	54,339
Deferred compensation	307,248	3,364,110
Pension plan payable	239,570	13,862
Total adjustments	<u>951,008</u>	<u>6,295,820</u>
Net cash provided by operating activities	<u>8,454,511</u>	<u>9,522,177</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(978,396)	(1,474,905)
Proceeds from sale of property and equipment	23,125	3,700
Redemptions of certificates of deposit	179,293	512,503
Purchases of certificates of deposit	(13,573)	(1,297,813)
Purchases of investments	(6,816)	(47,886)
Net cash used by investing activities	<u>(796,367)</u>	<u>(2,304,401)</u>

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	-	2,510,878
Principal payments on capital lease payable	<u>(125,227)</u>	<u>(170,299)</u>
Net cash (used) provided by financing activities	<u>(125,227)</u>	<u>2,340,579</u>
Net increase in cash	7,532,917	9,558,355
CASH AND CASH EQUIVALENTS - April 1, 2011 and 2010	<u>11,934,138</u>	<u>2,375,783</u>
CASH AND CASH EQUIVALENTS - March 31, 2012 and 2011	<u><u>\$ 19,467,055</u></u>	<u><u>\$ 11,934,138</u></u>

SUPPLEMENTAL DISCLOSURE:

Cash paid for interest	<u><u>\$ 113,245</u></u>	<u><u>\$ 397,197</u></u>
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COLLIER HEALTH SERVICES, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2012

	Program Services	Supporting Services		Total Supporting Services	Total
		Administrative and General	Fundraising		
Salaries	\$ 10,601,719	\$ 1,110,680	\$ 230,394	\$ 1,341,074	\$ 11,942,793
Payroll taxes	865,681	90,769	19,553	110,322	976,003
Fringe benefits	2,823,676	375,593	22,929	398,522	3,222,198
 Total salaries and related expenses	 14,291,076	 1,577,042	 272,876	 1,849,918	 16,140,994
In-kind	1,457,788	-	-	-	1,457,788
Equipment and furniture	67,176	29,891	1,350	31,241	98,417
Facility	541,706	75,812	-	75,812	617,518
Insurance	122,310	49,264	-	49,264	171,574
Legal, audit and consulting	488,973	84,569	-	84,569	573,542
Computer	715,966	30,486	2,402	32,888	748,854
Maintenance and repairs	322,588	31,624	-	31,624	354,212
Management fees	2,031,022	-	-	-	2,031,022
Marketing	107,276	9,664	4,837	14,501	121,777
Fundraising	-	-	17,703	17,703	17,703
Charitable contributions	1,630	27,988	-	27,988	29,618
Patient care	2,239,060	-	-	-	2,239,060
Medical services, net	34,326,490	-	-	-	34,326,490
Printing	61,383	6,806	19,143	25,949	87,332
Postage	23,154	2,386	6,311	8,697	31,851
Supplies	263,089	22,663	3,173	25,836	288,925
Training	65,140	2,633	-	2,633	67,773
Travel	142,878	14,650	8,645	23,295	166,173
Utilities	517,800	53,094	1,957	55,051	572,851
Vehicle	99,578	14,652	-	14,652	114,230
Interest and bank fees	85,274	59,538	698	60,236	145,510
Other	1,080,875	247,935	1,141	249,076	1,329,951
 Total expenses before depreciation	 59,052,232	 2,340,697	 340,236	 2,680,933	 61,733,165
Depreciation	600,864	61,610	209	61,819	662,683
 Total expenses	 <u>\$ 59,653,096</u>	 <u>\$ 2,402,307</u>	 <u>\$ 340,445</u>	 <u>\$ 2,742,752</u>	 <u>\$ 62,395,848</u>

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COLLIER HEALTH SERVICES, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2011

	Program Services	Supporting Services		Total Supporting Services	Total
		Administrative and General	Fundraising		
Salaries	\$ 9,953,077	\$ 746,438	\$ 304,157	\$ 1,050,595	\$ 11,003,672
Payroll taxes	815,569	61,119	4,556	65,675	881,244
Fringe benefits	2,462,558	206,363	57,692	264,055	2,726,613
 Total salaries and related expenses	 13,231,204	 1,013,920	 366,405	 1,380,325	 14,611,529
In-kind	1,278,060	-	-	-	1,278,060
Equipment and furniture	79,034	7,166	348	7,514	86,548
Facility	517,758	14,497	-	14,497	532,255
Insurance	131,847	40,429	-	40,429	172,276
Legal, audit and consulting	395,052	110,827	2,000	112,827	507,879
Computer	425,183	102,258	-	102,258	527,441
Maintenance and repairs	297,760	6,666	-	6,666	304,426
Management fees	5,333,844	-	-	-	5,333,844
Marketing	56,342	5,653	515	6,168	62,510
Fundraising	-	-	12,128	12,128	12,128
Patient care	1,795,144	-	-	-	1,795,144
Medical services, net	13,494,623	-	-	-	13,494,623
Printing	47,893	14,985	13,400	28,385	76,278
Postage	16,962	3,359	3,298	6,657	23,619
Supplies	218,821	25,218	587	25,805	244,626
Training	52,023	3,279	2,273	5,552	57,575
Travel	83,597	24,628	135	24,763	108,360
Utilities	504,241	47,199	531	47,730	551,971
Vehicle	85,858	10,154	-	10,154	96,012
Interest and bank fees	411,724	30,027	592	30,619	442,343
Other	725,509	54,511	731	55,242	780,751
 Total expenses before depreciation	 39,182,479	 1,514,776	 402,943	 1,917,719	 41,100,198
Depreciation	562,034	50,395	209	50,604	612,638
 Total expenses	 \$ 39,744,513	 \$ 1,565,171	 \$ 403,152	 \$ 1,968,323	 \$ 41,712,836

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part of the consolidated financial statements.

COLLIER HEALTH SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

NOTE 1 - THE ORGANIZATION

Collier Health Services, Inc. (“CHS” or “CHS Healthcare”) was incorporated on May 17, 1977, under the laws of Florida as a nonprofit organization to provide primary medical and dental care to the indigent population of Collier County.

Integral Health Plan, Inc. (“IHP”) was incorporated on January 12, 2009, under the laws of Florida as a nonprofit organization to operate as a Medicaid provider service network. CHS is the sole member of IHP.

CHS Healthcare Foundation (the “Foundation”) was incorporated on January 31, 2007, under the laws of Florida as a nonprofit organization to support other organizations that provide health care services to residents of Collier County. The Foundation solicits contributions on behalf of CHS.

The financial statements present the consolidated financial results of CHS, IHP and the Foundation, with all significant balances and transactions between the entities eliminated. Together, CHS, IHP and the Foundation are referred to in the notes to the consolidated financial statements as the “Organization”.

NOTE 2 - DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 8, 2012, the date that the financial statements were available to be issued.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization’s consolidated financial statements have been prepared on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets temporarily restricted net assets and permanently restricted net assets.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values on the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets on the consolidated statement of activities.

The equity investment in Lee County Electric Cooperative, Inc. (“LCEC”) is valued based on the contributions made to LCEC. For each year that LCEC earns a positive net margin, a percentage of what is paid for electricity is credited to CHS as equity. The overall investment value is the accumulation of equity credits received over the life of CHS’s membership with LCEC. Equity distributions are approved at the discretion of the LCEC Board of Trustees and are shown as a reduction in the investment balance.

COLLIER HEALTH SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Allowance for Uncollectible Accounts

The Organization accounts for potential losses in accounts receivable utilizing the allowance method. The Organization maintains an allowance for uncollectible accounts at an amount that it believes is sufficient to provide adequate protection against future losses. Provisions for losses are determined principally on the basis of experiences in the preceding years, taking into account historical collection rates for various categories of payees. All accounts or portions thereof deemed to be uncollectible are written off to the allowance for uncollectible accounts. Provision for uncollectible accounts expense for the years ended March 31, 2012 and 2011 was \$437,143 and \$518,962, respectively.

Pledged Investments

IHP has an Insolvency Protection Deposit Account whereas it is required by the State of Florida Agency for Health Care Administration to deposit 5% of monthly revenues until 2% of contracted \$69,013,319 (or \$1,380,266) is attained. The account balances as of March 31, 2012 and 2011 were \$1,382,976 and \$1,027,702, respectively.

Inventory

Inventory of drugs and other supplies is valued at the lower of cost (first-in, first-out) or market value.

Property and Equipment

Property and equipment are recorded at cost. Donated assets are recorded at their fair market value at the time of donation. Additions and major renewals in excess of \$1,000 are capitalized. Depreciation is recognized using the straight-line method over the estimated useful lives of the assets. The cost of maintenance and repairs is charged to operations, as incurred. See Note 8 for additional information.

Compensated Absences

The Organization's employees are entitled to paid vacation days. The amount accrued is based upon the employee's length of service up to a cumulative maximum of 240 hours. Two officers are also entitled to accumulated sick leave without limit upon termination. A liability is established for the employee vacation days as well as the officers' accumulated sick leave hours.

Income Taxes

The Organization evaluates its uncertain tax positions using the provisions of ASC 450, *Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the consolidated financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. The years 2009 through 2012 remain open to examination under federal statute limitations.

COLLIER HEALTH SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Organization has been granted a ruling that it is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"). The Organization is a nonprofit Florida corporation, and therefore, is not subject to state income taxes. Accordingly, no provision for income taxes has been made. The Organization is not considered a private foundation within the meaning of Section 509(a) of the Code.

Fair Value of Financial Instruments

Substantially all of the Organization's assets and liabilities, excluding prepaid expenses, property and equipment and deferred revenue, are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying amounts that approximate fair value, because of the short maturity of the instrument. Investments are valued based on the classification as further described in the investment policy above.

Revenues and Support

CHS has agreements with third-party payors that provide for payments at amounts different from established rates. Patient service fees revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered. Patient service fees revenue is reported at the estimated net realizable amounts from patients, third party-payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Premiums received from the State of Florida Medicaid program for members are recognized as revenue during the period in which IHP is obligated to provide healthcare services. Medicaid premiums under the contract are paid on a monthly per-member, per-month basis dependent on the member's population group, geographic area and age.

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

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

Support from federal and state grants is recorded based upon the terms of the grantor allotment, which generally provide that revenues are earned when the allowable costs of the specific grant provisions have been incurred.

COLLIER HEALTH SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-kind Contributions

In-kind contributions include personal services from medical and dental residents and students. The estimated current value of volunteer services is recorded at the same hourly rate that compensated employees receive for comparable duties. Contributions of services are recognized only if services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing these skills, and would typically be purchased if not provided by donations. These contributions are included on the consolidated statement of activities under revenues and support and the related costs are included on the accompanying consolidated statement of functional expenses.

The Organization rents an administrative facility and medical facilities at rates substantially below fair rental value. The Organization has recorded a contribution and related rent expense at an amount which approximates the discount from fair market value.

Medical Services, Net

IHP has entered into hospital service contracts to provide the necessary inpatient and outpatient hospital services to its beneficiaries. In return, IHP pays the participating hospitals at a negotiated rate based off the State's fee-for-service rates in effect at the time the services were provided to its beneficiaries. IHP has also entered into several agreements with network physicians and suppliers to provide medical services and supplies to IHP's beneficiaries at agreed upon fee-for-service rates or at fixed fees per member, per month (capitation). When members do not utilize medical services at providers in which IHP has agreements with, IHP pays the fee-for-service rates in effect at the time the services were provided to its beneficiaries.

Monthly capitation payments to primary care physicians and other healthcare providers are expensed as incurred. Medical services expenses and medical claims payable include amounts for known services rendered and an estimate of incurred but not reported services rendered by hospitals, physicians, and other healthcare providers. The estimated incurred but not reported medical claims payable liability has been actuarially determined based on relevant industry data and IHP's historical trends. Management believes that the methodologies employed to estimate the medical claims payable are reasonable and that the amount accrued is appropriate. Due to uncertainties inherent in the medical claims estimation process, there is a reasonable possibility that actual experience may vary from the accrued amounts.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis on the consolidated statement of activities and on the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Non-direct, non-facility related expenses are allocated to departments by calculating the percentage of total patient encounters produced by that department. Facility related expenses are allocated according to a percentage of total square footage methodology or by the ratio of full time equivalent ("FTE") employees in the department compared to the total number of FTEs.

Advertising

Advertising costs are reported in the period in which they are paid.

Read Independent Auditor's Report.

COLLIER HEALTH SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stop-Loss Insurance

Stop-loss insurance premiums are included in medical services, net in the accompanying consolidated statement of activities. There were no stop-loss insurance recoveries recorded during the years ended March 31, 2012 or 2011. Stop-loss insurance for the years ended March 31, 2012 and 2011 are further described at Note 21.

Cash Flows

For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents, excluding certificates of deposit.

The Organization made no cash payments for income tax and cash payments of \$113,245 and \$397,197 for interest during the years ended March 31, 2012 and 2011, respectively.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain accounts and transactions have been reclassified in the 2011 consolidated statement of activities, consolidated statement of cash flows and consolidated statement of functional expenses for comparative purposes to conform with the presentation in the current-year consolidated financial statements. The result of the reclassifications had no effect on net assets.

NOTE 4 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances, certificates of deposit and interest-bearing State guaranty fund deposit accounts at several financial institutions. Accounts and certificates of deposit at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC"). The uninsured balances as of March 31, 2012 and 2011, were \$104,481 and \$1,302, respectively, based on the bank statement balances, less the FDIC insurance. Cash balances at investment services companies and cash equivalents totaling \$148,753 and \$367,517, as of March 31, 2012 and 2011, respectively, are not insured by the FDIC.

COLLIER HEALTH SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

NOTE 5 - INVESTMENTS

Investments consisted of the following as of March 31,:

	2012	2011
Mutual funds	\$ 557,434	\$ 533,857
Equity securities	48,088	40,262
Equity investment in LCEC	147,994	146,176
	<u>\$ 753,516</u>	<u>\$ 720,295</u>

The following are the major categories of assets measured at fair value on a recurring basis during the year ended March 31, 2012, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total as of March 31, 2012
Mutual funds	\$ 557,434	\$ -	\$ -	\$ 557,434
Equity securities	48,088	-	-	48,088
Equity investment in LCEC	-	-	147,994	147,994
	<u>\$ 605,522</u>	<u>\$ -</u>	<u>\$ 147,994</u>	<u>\$ 753,516</u>

A roll forward of the fair value measurements using unobservable inputs (Level 3) as of March 31, 2012, was as follows:

Opening balance, April 1, 2011	\$ 146,176
Gains	
Included in earnings	7,240
Purchases, sales and settlements	
Equity distribution	(5,422)
Closing balance, March 31, 2012	<u>\$ 147,994</u>

COLLIER HEALTH SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

NOTE 5 - INVESTMENTS (Continued)

The following are the major categories of assets measured at fair value on a recurring basis during the year ended March 31, 2011, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total as of March 31, 2011
Mutual funds	\$ 533,857	\$ -	\$ -	\$ 533,857
Equity securities	40,262	-	-	40,262
Equity investment in LCEC	-	-	146,176	146,176
	<u>\$ 574,119</u>	<u>\$ -</u>	<u>\$ 146,176</u>	<u>\$ 720,295</u>

A roll forward of the fair value measurements using unobservable inputs (Level 3) as of March 31, 2011, was as follows:

Opening balance, April 1, 2010	\$ 113,090
Gains	
Included in earnings	36,834
Purchases, sales and settlements	
Equity distribution	(3,748)
Closing balance, March 31, 2011	<u>\$ 146,176</u>

NOTE 6 - PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable consisted of the following as of March 31,:

	2012	2011
Medicaid	\$ 630,732	\$ 421,125
Medicare	179,256	74,386
Workers compensation	6,774	5,079
Commercial insurance	563,174	404,922
Patients	246,959	154,506
Integral wraparound	1,245,149	690,308
Less: allowance for uncollectible accounts	(524,360)	(365,939)
	<u>\$ 2,347,684</u>	<u>\$ 1,384,387</u>

COLLIER HEALTH SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

NOTE 7 - OTHER RECEIVABLES

Other receivables consisted of the following as of March 31,:

	<u>2012</u>	<u>2011</u>
Community Health Centers Alliance	\$ 251,809	\$ 156,591
Florida State University	34,338	43,993
Low Income Program	267,291	183,596
Other	94,290	47,229
	<u>\$ 647,728</u>	<u>\$ 431,409</u>

Other receivables are considered collectible; therefore no allowance has been recorded.

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows as of March 31,:

	Estimated Useful Lives	<u>2012</u>	<u>2011</u>
Building	22-40 years	\$ 5,285,777	\$ 5,284,576
Furniture and equipment	3-7 years	2,001,179	1,842,969
Medical equipment	3-15 years	1,060,637	781,148
Vehicles	3-9 years	620,443	627,604
Leasehold improvements	3-40 years	2,030,172	593,672
Construction in progress	N/A	34,082	1,119,253
Land	N/A	445,000	445,000
		<u>11,477,290</u>	<u>10,694,222</u>
Less: accumulated depreciation		<u>(4,084,289)</u>	<u>(3,617,417)</u>
		<u>\$ 7,393,001</u>	<u>\$ 7,076,805</u>

For the years ended March 31, 2012 and 2011, depreciation expense was \$662,683 and \$612,638, respectively.

COLLIER HEALTH SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

NOTE 9 - MEDICAL CLAIMS PAYABLE

Activity for medical claims payable is summarized as follows for the year ended March 31, 2012:

	<u>IHP</u>	<u>Eliminations</u>	<u>Consolidated</u>
Medical claims payable at beginning of year	\$ 2,059,954	\$ (11,336)	\$ 2,048,618
Incurred related to:			
Current year	23,064,231	(3,261,920)	19,802,311
Prior years	(237,150)	-	(237,150)
Total incurred	<u>22,827,081</u>	<u>(3,261,920)</u>	<u>19,565,161</u>
Paid related to:			
Current year	18,312,722	(3,249,693)	15,063,029
Prior years	1,691,653	(11,336)	1,680,317
Total paid	<u>20,004,375</u>	<u>(3,261,029)</u>	<u>16,743,346</u>
Medical claims payable at end of year	<u>\$ 4,882,660</u>	<u>\$ (12,227)</u>	<u>\$ 4,870,433</u>

Activity for medical claims payable is summarized as follows for the year ended March 31, 2011:

	<u>IHP</u>	<u>Eliminations</u>	<u>Consolidated</u>
Medical claims payable at beginning of year	\$ -	\$ -	\$ -
Incurred related to:			
Current year	<u>13,468,944</u>	<u>(1,731,951)</u>	<u>11,736,993</u>
Paid related to:			
Current year	11,408,990	(1,720,615)	9,688,375
Prior years	-	-	-
Total paid	<u>11,408,990</u>	<u>(1,720,615)</u>	<u>9,688,375</u>
Medical claims payable at end of year	<u>\$ 2,059,954</u>	<u>\$ (11,336)</u>	<u>\$ 2,048,618</u>

Liabilities at any year-end are continually reviewed and re-estimated as information regarding actual claims payments becomes known.

NOTE 10 - CAPITAL LEASE

CHS leases medical, dental and administrative office space from NCH Healthcare System, Inc., under a capital lease. The economic substance of the lease is that CHS is financing the acquisition of the property through the lease, and accordingly, it is recorded in the CHS's assets and liabilities. The lease is for a period of 15 years with equal quarterly installments of \$71,250, maturing in September 2024. The imputed rate of interest for the lease is 6.0997%.

COLLIER HEALTH SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

NOTE 10 - CAPITAL LEASE (Continued)

The following table details the leased assets included in property and equipment as of March 31,:

	<u>2012</u>	<u>2011</u>
Building	\$ 2,320,000	\$ 2,320,000
Land	<u>430,000</u>	<u>430,000</u>
	2,750,000	2,750,000
Less: accumulated depreciation	<u>(272,424)</u>	<u>(166,970)</u>
	<u>\$ 2,477,576</u>	<u>\$ 2,583,030</u>

Future minimum lease payments required under the lease are as follows:

<u>Years ending March 31,</u>	
2013	\$ 285,000
2014	285,000
2015	285,000
2016	285,000
2017	285,000
Thereafter	<u>2,137,500</u>
Total future minimum lease payments	3,562,500
Less: amount representing interest	<u>(1,120,392)</u>
Present value of future minimum lease payments	<u>\$ 2,442,108</u>

The lease agreement contains a bargain purchase option at the end of the lease term of \$572,000 for the leased property.

NOTE 11 - NOTE PAYABLE

Shaller Anderson, LLP provided start-up capital for IHP through the issuance of a note payable during 2010. The note was entered into in March 2010 for an initial principal amount of \$800,000. An amendment for start-up expenses was agreed to in April 2010 for \$2,510,878 which bears no interest. Payments toward the outstanding balance will be applied first towards repayment of the start-up expenses, and upon repayment of the start-up expenses in full then towards satisfaction of the original note and any interest accrued, subject to the approval of the Agency for Health Care Administration (AHCA). The initial principal amount of \$800,000 bears interest at a rate of 7%, and no interest or principal payments have been made as of March 31, 2012. IHP intends to submit approval to AHCA of \$1,730,000 payment towards the outstanding note payable balance, which represents one third of the change in IHP's net assets before the supplemental management fee for the year ended December 31, 2011. Such approval and payment are expected to occur within the next 12 months.

COLLIER HEALTH SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

NOTE 12 - BOARD DESIGNATED NET ASSETS

Board designated net assets consisted of the following as of March 31,:

	<u>2012</u>	<u>2011</u>
Future operations	\$ 5,229,823	\$ 598,586
Future Care Mobile operations	300,000	300,000
Replacement of Care Mobile	300,000	300,000
	<u>\$ 5,829,823</u>	<u>\$ 1,198,586</u>

NOTE 13 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of March 31,:

	<u>2012</u>	<u>2011</u>
CareMobile	\$ 327,095	\$ 400,513
Foundation support	80,614	107,925
Susan G. Komen Foundation	28,594	23,882
Dental care	35,146	17,188
Medical supplies - adults	22,240	8,570
CHS children's fund	16,286	-
Reach out and read	11,698	-
Community Foundation	10,000	7,000
Early cares	-	3,750
Medical supplies - children	1,828	2,642
HIV grant	-	200
Cervilenz Main	9	-
	<u>\$ 533,510</u>	<u>\$ 571,670</u>

NOTE 14 - PATIENT SERVICE FEES

Patient service fees revenue is as follows for the years ended March 31,:

	<u>2012</u>	<u>2011</u>
Gross patient service fees revenue	\$ 18,578,502	\$ 15,386,123
Third party payor and other adjustments	(1,998,135)	(1,705,918)
	16,580,367	13,680,205
Provision for doubtful accounts	(437,143)	(518,962)
Patient service fees, net	<u>\$ 16,143,224</u>	<u>\$ 13,161,243</u>

COLLIER HEALTH SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

NOTE 14 - PATIENT SERVICE FEES (Continued)

Patient service fees revenue (net of contractual allowances and discounts) is as follows for the years ended March 31,:

	<u>2012</u>	<u>2011</u>
Third-party payors	\$ 14,808,859	\$ 12,277,902
Self-Pay	1,771,508	1,402,303
Total all payors	<u>\$ 16,580,367</u>	<u>\$ 13,680,205</u>

NOTE 15 - IN-KIND CONTRIBUTIONS

In-kind contributions represent the fair market values for goods and services provided as follows for the years ended March 31,:

<u>Donor</u>	<u>Item</u>	<u>2012</u>	<u>2011</u>
Dental professionals and students	Services	\$ 697,812	\$ 429,071
Florida State University	Rent	453,600	536,130
University of Florida	Rent	130,237	130,238
University of Florida	Equipment rental	175,000	175,000
Various	Supplies	8,688	6,811
		<u>\$ 1,465,337</u>	<u>\$ 1,277,250</u>

NOTE 16 - RELATED PARTY TRANSACTIONS

The Community Health Centers Alliance, Inc. (the "Alliance") is a not-for-profit corporation incorporated in the state of Florida on August 31, 1999, serving non-profit and small practices within the state of Florida. Its stated purpose is to facilitate and improve the quality and delivery of health care to those individuals living in the respective service areas of the incorporating members of the Alliance and such other organizations who may from time to time become members by planning, organizing, developing, and operating a health services network, thereby allowing the members to be better able to serve their patient populations. Membership in the Alliance is composed of the incorporating members and such other non-profit community health organizations, organized under Section 330 of the Public Health Service Act.

CHS is a member of the Alliance and functions as a leasing service for the Alliance's personnel. For the years ended March 31, 2012 and 2011, CHS billed the Alliance \$2,494,646 and \$1,662,171, respectively, for salaries and fringe benefits and \$119,835 and \$82,676, respectively, for compensated absences. As of March 31, 2012 and 2011, \$251,809 and \$156,591, respectively, was due from the Alliance and is included in other receivables.

A member of management is a member of the Alliance board of directors. During the years ended March 31, 2012 and 2011, amounts paid for dues totaled \$8,895. Amounts paid for information technology and other services totaled \$511,445 and \$507,302, respectively, for the years ended March 31, 2012 and 2011. As of March 31, 2012 and 2011, \$94,146 and \$91,850, respectively, was due to the Alliance and is included in accounts payable and accrued liabilities.

COLLIER HEALTH SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

NOTE 16 - RELATED PARTY TRANSACTIONS (Continued)

The relationship noted above with the Alliance meets the exception for costs to related organizations, as outlined by 42 CFR Ch. IV § 413.17 paragraph (d). Costs for services provided by the Alliance are includable in the allowable cost of CHS, as costs do not exceed the price of comparable services that could be purchased elsewhere.

NOTE 17 - OPERATING LEASES

The Organization leases two administrative facilities, a billing office, seven clinical sites, storage facilities and housing for medical students under operating leases that expire from January 2013 to February 2018. For the years ended March 31, 2012 and 2011, total facility lease expense was \$608,709 and \$468,423, respectively, and is included in facility expense on the consolidated statement of functional expenses. The Organization also leases thirty-three pieces of equipment under leases that expire from December 2012 to November 2016. For the years ended March 31, 2012 and 2011, total equipment lease expense was \$8,809 and \$14,358, respectively, and is included in equipment and furniture expense on the consolidated statement of functional expenses.

Future minimum lease payments required under the leases are as follows:

<u>Years ending March 31,</u>	
2013	\$ 628,281
2014	537,288
2015	437,026
2016	368,996
2017	194,251
Thereafter	111,600
	<u>\$ 2,277,442</u>

NOTE 18 - RETIREMENT PLAN

Defined Contribution Plan

Effective April 1, 2007, the Organization adopted a 401(A) profit-sharing retirement plan covering substantially all employees after six months of service. Employer contributions are based on 8.01% of participants' compensation, plus 5.4% of participants' compensation in excess of 80% of the Social Security taxable wage base plus \$1. The Organization's contributions for the years ended March 31, 2012 and 2011, were \$901,985 and \$758,926, respectively, and are included in fringe benefits on the consolidated statement of functional expenses.

COLLIER HEALTH SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

NOTE 18 - RETIREMENT PLAN (Continued)

Participant vesting in the plan is as follows:

<u>Years of Service</u>	<u>% Vesting</u>
2	20%
3	40%
4	60%
5	80%
6	100%

Supplemental Executive Retirement Plan

The Organization offers its senior management employees an opportunity to defer compensation pursuant to section 457(b) of the Code to supplement such employees' retirement benefits under the employer's retirement plan. Employees are fully vested when plan contributions are made. The amounts are maintained on the Organization's books in a designated account and remain the sole property of the Organization and are available to satisfy the claims of all general creditors of the Organization.

NOTE 19 - COMMITMENTS

The Organization maintains a line of credit with Bank of America. The available balance on the line of credit is a maximum of \$600,000. Interest on the line of credit is at the prime rate. It is collateralized by a lien against accounts receivable, inventory and equipment. There was no activity on the line of credit during the years ended March 31, 2012 or 2011, and there was no outstanding balance on the line of credit as of year-end.

By agreement with the State of Florida Agency for Healthcare Administration (the "Agreement"), IHP is managing the medical care of Medicaid beneficiaries for a monthly capitation fee. This Agreement remains in effect unless terminated by either party with appropriate notice as defined in the Agreement. Future contract awards are contingent upon the continuation of the Medicaid program and IHP's ability and desire to retain its status as a contractor under the program.

IHP entered into a management service agreement with Schaller Anderson of Arizona, LLC ("Schaller") on February 1, 2010. Under the management service agreement, Schaller provides IHP with the services of personnel necessary for the management of its operations. In addition, Schaller pays all expenses of its management of IHP except for start-up equipment and the ongoing cost of insurance, legal fees, external audit and tax preparation. IHP's agreement expires March 31, 2013 and is renewable for annual terms until terminated by either party.

COLLIER HEALTH SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

NOTE 19 - COMMITMENTS (Continued)

IHP pays Schaller a management fee of 10% of total Medicaid premium revenue. Schaller is also eligible for additional Annual Supplemental Compensation of one-third of IHP's net profit pursuant to the Agreement. The Annual Supplemental Compensation is payable no later than thirty days after IHP issues its final annual audit report. IHP shall ensure that it maintains at all times the statutory reserves in accordance with the terms of the contract with the State of Florida Agency for Healthcare Administration. The total management fees for the years ended March 31, 2012 and 2011 were approximately \$4,236,000 and \$4,554,000, respectively and include approximately \$0 and \$2,511,000, respectively for start-up expenses. Annual Supplemental Management Fees of approximately \$1,057,000 and \$779,601 were earned by Schaller during the years ended March 31, 2012 and 2011, respectively.

NOTE 20 - STATUTORY NET WORTH REQUIREMENT

Under Florida law, IHP is required to maintain at all times a surplus amount equal to the greater of \$1.5 million, ten percent of total liabilities, two percent of the annualized amount of IHP's prepaid revenues or enter into an agreement with another entity to guarantee the surplus requirements. IHP's surplus amount has been guaranteed by Schaller with a contract executed on February 1, 2010. The guarantee is irrevocable during the term of the agreements with the State of Florida Agency for Healthcare Administration and shall remain in full force until the earlier of, 1) the date after termination of the IHP's provider service network contract with AHCA on which AHCA receives proof of satisfaction from the Company of all outstanding financial obligations incurred, 2) the date IHP enters into another guaranty acceptable to AHCA or finds another source of funds which will allow IHP to meet surplus requirements, or 3) the date IHP has submitted an annual audited financial statement acceptable to AHCA demonstrating that IHP has sufficient surplus.

NOTE 21 - STOP-LOSS INSURANCE

IHP is financially responsible for the cost of each beneficiary's annual medical services. Annual covered services per beneficiary were limited as follows during the years ended March 31,:

	<u>2012</u>	<u>2011</u>
Effective Dates	April 1, 2011 - March 31, 2012	April 1, 2010 - March 31, 2011
Limits of Coverage	\$200,000 deductible	\$200,000 deductible

Coverage above these stop-loss amounts is provided by an insurance company. The maximum reimbursement per beneficiary is limited to \$2,000,000 in aggregate over all contract years.

For the years ended March 31, 2012 and 2011, IHP incurred stop-loss insurance premium expense of approximately \$151,000 and \$80,000, respectively, which is included in medical services, net on the consolidated statement of functional expenses. For the years ended March 31, 2012 and 2011, IHP did not have any stop-loss insurance recoveries.

COLLIER HEALTH SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

NOTE 22 - CONTINGENCIES

Future rates for IHP's Medicaid program are subject to negotiation with and approval by the State of Florida Agency for Healthcare Administration. Although the Agreement remains in effect, unless terminated by either party with appropriate notice, future contract renewals are contingent upon the continuation of the program by the State of Florida and IHP's ability and desire to retain its status as a contractor under the program.

IHP maintains professional liability insurance that provides coverage on a claims-made basis. Claims asserted against IHP may arise from past services rendered by network providers. Management is unable to estimate the ultimate cost, if any, of the resolution of potential claims, and accordingly, no accrual has been made at March 31, 2012 and 2011. Management believes that claims, if asserted, would be settled within the limits of insurance coverage.

CHS maintains professional liability insurance that provides coverage on a claims-made basis. As of March 31, 2012, the Organization has an outstanding EEOC complaint. Management is unable to estimate the ultimate cost, if any, of the resolution of the complaint, and accordingly, no accrual has been made at March 31, 2012. Management believes that any claim would be settled within the limits of insurance coverage.

NOTE 23 - SUBSEQUENT EVENTS

Effective April 2, 2012, CHS is doing business as Healthcare Network of Southwest Florida and has adopted a new logo.

As of the date of the issuance of the consolidated financial statements, CHS has been named, among a number of other entities, as a defendant in a commercial foreclosure action that was filed on May 30, 2012. The outcome of the case cannot be determined at this time.

SUPPLEMENTARY INFORMATION

COLLIER HEALTH SERVICES, INC.
CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2012

Grantor/ Program Title	Federal CFDA Number	Grant Number(s)	Federal Expenditures
Department of Health and Human Services:			
Consolidated Health Centers (1)	93.224	H80CS00735	\$ 6,032,845
ARRA - Grants to Health Center Programs (1)	93.703	C81CS13787	447,086
Outpatient Early Intervention Services - HIV	93.918	H76HA00086	<u>500,573</u>
Total expenditures of federal awards			<u><u>\$ 6,980,504</u></u>

(1) Denotes a major program

The accompanying consolidated schedule of expenditures of federal awards includes the federal grant activity of Collier Health Services, Inc. and is presented on the accrual basis of accounting. The information in this schedule 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 basic consolidated financial statements.

COLLIER HEALTH SERVICES, INC.
CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2011

Grantor/ Program Title	Federal CFDA Number	Grant Number(s)	Federal Expenditures
Department of Health and Human Services:			
Consolidated Health Centers (1)	93.224	H80CS00735	\$ 5,110,467
ARRA - Grants to Health Center Programs (1)	93.703	C81CS13787 H8BCS12492	1,149,941 454,545
Outpatient Early Intervention Services - HIV (1)	93.918	H76HA00086	<u>534,325</u>
Total expenditures of federal awards			<u><u>\$ 7,249,278</u></u>

(1) Denotes a major program

The accompanying consolidated schedule of expenditures of federal awards includes the federal grant activity of Collier Health Services, Inc. and is presented on the accrual basis of accounting. The information in this schedule 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 basic consolidated financial statements.

COLLIER HEALTH SERVICES, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
MARCH 31, 2012

	<u>Collier Health Services, Inc.</u>	<u>CHS Healthcare Foundation</u>	<u>Integral Health Plan, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	2,524,533	\$ 234,239	\$ 10,878,460	\$ -	\$ 13,637,232
Cash and cash equivalents - Board designated	5,829,823	-	-	-	5,829,823
Certificates of deposit	1,459,941	-	-	-	1,459,941
Investments	753,516	-	-	-	753,516
Patient accounts receivable, net	2,359,911	-	-	(12,227)	2,347,684
Grants receivable	219,083	-	-	-	219,083
Other receivables	802,136	-	-	(154,408)	647,728
Pledged investments	-	-	1,382,976	-	1,382,976
Inventory	196,003	-	-	-	196,003
Prepaid expenses	82,713	-	-	-	82,713
Total current assets	<u>14,227,659</u>	<u>234,239</u>	<u>12,261,436</u>	<u>(166,635)</u>	<u>26,556,699</u>
PROPERTY AND EQUIPMENT, net	7,392,217	784	-	-	7,393,001
OTHER ASSETS					
Deposits	498,832	-	-	-	498,832
Total assets	<u><u>22,118,708</u></u>	<u><u>\$ 235,023</u></u>	<u><u>\$ 12,261,436</u></u>	<u><u>\$ (166,635)</u></u>	<u><u>\$ 34,448,532</u></u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	1,374,796	\$ 154,409	\$ 2,314,113	\$ (154,408)	\$ 3,688,910
Medical claims payable	-	-	4,882,660	(12,227)	4,870,433
Interest payable	-	-	179,920	-	179,920
Accrued liabilities	852,685	-	-	-	852,685
Pension plan payable	239,570	-	-	-	239,570
Compensated absences	1,513,232	-	-	-	1,513,232

Read Independent Auditor's Report.

COLLIER HEALTH SERVICES, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
MARCH 31, 2012

	<u>Collier Health Services, Inc.</u>	<u>CHS Healthcare Foundation</u>	<u>Integral Health Plan, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES (Continued)					
Deferred compensation	428,080	-	-	-	428,080
Current portion of capital lease payable	133,433	-	-	-	133,433
Total current liabilities	<u>4,541,796</u>	<u>154,409</u>	<u>7,376,693</u>	<u>(166,635)</u>	<u>11,906,263</u>
LONG-TERM LIABILITIES					
Capital lease payable, net of current portion	2,308,675	-	-	-	2,308,675
Note payable	-	-	3,310,878	-	3,310,878
Total long-term liabilities	<u>2,308,675</u>	<u>-</u>	<u>3,310,878</u>	<u>-</u>	<u>5,619,553</u>
Total liabilities	<u>6,850,471</u>	<u>154,409</u>	<u>10,687,571</u>	<u>(166,635)</u>	<u>17,525,816</u>
NET ASSETS					
Unrestricted, undesignated	1,592,517	-	1,573,865	-	3,166,382
Unrestricted, equity in property and equipment	7,393,001	-	-	-	7,393,001
Unrestricted, Board designated	5,829,823	-	-	-	5,829,823
Total unrestricted net assets	<u>14,815,341</u>	<u>-</u>	<u>1,573,865</u>	<u>-</u>	<u>16,389,206</u>
Temporarily restricted	<u>452,896</u>	<u>80,614</u>	<u>-</u>	<u>-</u>	<u>533,510</u>
Total net assets	<u>15,268,237</u>	<u>80,614</u>	<u>1,573,865</u>	<u>-</u>	<u>16,922,716</u>
Total liabilities and net assets	<u>\$ 22,118,708</u>	<u>\$ 235,023</u>	<u>\$ 12,261,436</u>	<u>\$ (166,635)</u>	<u>\$ 34,448,532</u>

Read Independent Auditor's Report.

COLLIER HEALTH SERVICES, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
MARCH 31, 2011

	<u>Collier Health Services, Inc.</u>	<u>CHS Healthcare Foundation</u>	<u>Integral Health Plan, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 3,234,954	\$ 119,132	\$ 7,381,466	\$ -	\$ 10,735,552
Cash and cash equivalents - Board designated	1,198,586	-	-	-	1,198,586
Certificates of deposit	1,625,663	-	-	-	1,625,663
Investments	720,295	-	-	-	720,295
Patient accounts receivable, net	1,395,723	-	-	(11,336)	1,384,387
Grants receivable	637,233	-	-	-	637,233
Other receivables	443,808	300	-	(12,699)	431,409
Pledged investments	-	-	1,027,702	-	1,027,702
Inventory	208,651	-	-	-	208,651
Prepaid expenses	126,712	-	-	-	126,712
Total current assets	<u>9,591,625</u>	<u>119,432</u>	<u>8,409,168</u>	<u>(24,035)</u>	<u>18,096,190</u>
PROPERTY AND EQUIPMENT, net	7,075,812	993	-	-	7,076,805
OTHER ASSETS					
Deposits	<u>497,124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>497,124</u>
Total assets	<u>\$ 17,164,561</u>	<u>\$ 120,425</u>	<u>\$ 8,409,168</u>	<u>\$ (24,035)</u>	<u>\$ 25,670,119</u>

Read Independent Auditor's Report.

COLLIER HEALTH SERVICES, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
MARCH 31, 2011

	Collier Health Services, Inc.	CHS Healthcare Foundation	Integral Health Plan, Inc.	Eliminations	Total
LIABILITIES AND NET ASSETS (NET DEFICIT)					
CURRENT LIABILITIES					
Accounts payable	\$ 1,281,152	\$ 12,500	\$ 965,265	\$ (12,699)	\$ 2,246,218
Medical claims payable	-	-	2,059,954	(11,336)	2,048,618
Interest payable	-	-	226,448	-	226,448
Accrued liabilities	975,835	-	61,250	-	1,037,085
Compensated absences	1,329,381	-	-	-	1,329,381
Deferred revenue	1,038,526	-	2,325,584	-	3,364,110
Deferred compensation	120,832	-	-	-	120,832
Current portion of capital lease payable	125,227	-	-	-	125,227
Total current liabilities	<u>4,870,953</u>	<u>12,500</u>	<u>5,638,501</u>	<u>(24,035)</u>	<u>10,497,919</u>
LONG-TERM LIABILITIES					
Capital lease payable, net of current portion	2,442,109	-	-	-	2,442,109
Note payable	-	-	3,310,878	-	3,310,878
Total long-term liabilities	<u>2,442,109</u>	<u>-</u>	<u>3,310,878</u>	<u>-</u>	<u>5,752,987</u>
Total liabilities	<u>7,313,062</u>	<u>12,500</u>	<u>8,949,379</u>	<u>(24,035)</u>	<u>16,250,906</u>
NET ASSETS (DEFICIT)					
Unrestricted, undesignated	1,112,363	-	(540,211)	-	572,152
Unrestricted, equity in property and equipment	7,076,805	-	-	-	7,076,805
Unrestricted, Board designated	1,198,586	-	-	-	1,198,586
Total unrestricted net assets (deficit)	<u>9,387,754</u>	<u>-</u>	<u>(540,211)</u>	<u>-</u>	<u>8,847,543</u>
Temporarily restricted	463,745	107,925	-	-	571,670
Total net assets (deficit)	<u>9,851,499</u>	<u>107,925</u>	<u>(540,211)</u>	<u>-</u>	<u>9,419,213</u>
Total liabilities and net assets (deficit)	<u>\$ 17,164,561</u>	<u>\$ 120,425</u>	<u>\$ 8,409,168</u>	<u>\$ (24,035)</u>	<u>\$ 25,670,119</u>

Read Independent Auditor's Report.

COLLIER HEALTH SERVICES, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
MARCH 31, 2012

	<u>Collier Health Services, Inc.</u>	<u>CHS Healthcare Foundation</u>	<u>Integral Health Plan, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES AND SUPPORT					
Medicaid premium revenues	\$ -	\$ -	\$ 42,165,706	\$ -	\$ 42,165,706
Patient service fees, net	19,405,144	-	-	(3,261,920)	16,143,224
Federal grants	6,980,503	-	-	-	6,980,503
In-kind contributions	1,465,337	-	-	-	1,465,337
Other	604,551	-	-	-	604,551
Management fees	1,223,538	-	-	(160,687)	1,062,851
Contributions	465,650	55,460	-	(45,000)	476,110
Other grants	868,549	-	-	-	868,549
Fundraising	80,215	-	-	-	80,215
Interest and dividends	27,791	-	3,197	-	30,988
Unrealized gain on investments	21,317	-	-	-	21,317
	<u>31,142,595</u>	<u>55,460</u>	<u>42,168,903</u>	<u>(3,467,607)</u>	<u>69,899,351</u>
EXPENSES					
Salaries	11,942,793	-	-	-	11,942,793
Payroll taxes	976,003	-	-	-	976,003
Fringe benefits	3,222,198	-	-	-	3,222,198
In-kind	1,457,788	-	-	-	1,457,788
Equipment and lease	97,067	1,350	-	-	98,417
Facility	617,518	-	-	-	617,518
Insurance	146,942	-	24,632	-	171,574
Legal, audit and consulting	360,729	-	212,813	-	573,542
Computer	748,701	153	-	-	748,854
Maintenance and repairs	354,212	-	-	-	354,212
Management fees	-	-	5,453,629	(3,422,607)	2,031,022
Marketing	43,270	175	78,332	-	121,777
Fundraising	17,703	-	-	-	17,703

Read Independent Auditor's Report.

COLLIER HEALTH SERVICES, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)
MARCH 31, 2012

	<u>Collier Health Services, Inc.</u>	<u>CHS Healthcare Foundation</u>	<u>Integral Health Plan, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
EXPENSES (Continued)					
Charitable contributions	27,988	45,000	1,630	(45,000)	29,618
Patient care	2,239,060	-	-	-	2,239,060
Medical services, net	-	-	34,326,490	-	34,326,490
Printing	73,183	14,149	-	-	87,332
Postage	25,657	6,121	73	-	31,851
Supplies	285,752	3,173	-	-	288,925
Training	67,773	-	-	-	67,773
Travel	157,528	8,645	-	-	166,173
Utilities	570,894	1,957	-	-	572,851
Vehicle	114,230	-	-	-	114,230
Interest and bank fees	191,340	698	(46,528)	-	145,510
Other	1,325,054	1,141	3,756	-	1,329,951
Depreciation	662,474	209	-	-	662,683
	<u>25,725,857</u>	<u>82,771</u>	<u>40,054,827</u>	<u>(3,467,607)</u>	<u>62,395,848</u>
Total expenses					
Excess (deficiency) of revenues over expenses	<u>\$ 5,416,738</u>	<u>\$ (27,311)</u>	<u>\$ 2,114,076</u>	<u>\$ -</u>	<u>\$ 7,503,503</u>

Read Independent Auditor's Report.

COLLIER HEALTH SERVICES, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
MARCH 31, 2011

	<u>Collier Health Services, Inc.</u>	<u>CHS Healthcare Foundation</u>	<u>Integral Health Plan, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES AND SUPPORT					
Medicaid premium revenues	\$ -	\$ -	\$ 20,433,649	\$ -	\$ 20,433,649
Patient service fees, net	14,893,194	-	-	(1,731,951)	13,161,243
Federal grants	7,249,249	-	-	-	7,249,249
In-kind contributions	1,277,250	-	-	-	1,277,250
Other	838,988	-	-	-	838,988
Management fees	929,126	-	-	-	929,126
Contributions	376,123	50,730	-	-	426,853
Other grants	377,609	-	-	-	377,609
Fundraising	136,417	50	-	-	136,467
Interest and dividends	56,050	-	715	-	56,765
Unrealized gain on investments	51,994	-	-	-	51,994
	<u>26,186,000</u>	<u>50,780</u>	<u>20,434,364</u>	<u>(1,731,951)</u>	<u>44,939,193</u>
EXPENSES					
Salaries	11,003,672	-	-	-	11,003,672
Payroll taxes	881,244	-	-	-	881,244
Fringe benefits	2,726,613	-	-	-	2,726,613
Management fees	-	-	5,333,844	-	5,333,844
In-kind	1,278,060	-	-	-	1,278,060
Equipment and lease	86,200	348	-	-	86,548
Facility	532,255	-	-	-	532,255
Insurance	144,360	-	27,916	-	172,276
Legal, audit and consulting	386,421	-	121,458	-	507,879
Computer	527,441	-	-	-	527,441
Maintenance and repairs	304,426	-	-	-	304,426
Marketing	62,190	320	-	-	62,510
Fundraising	12,128	-	-	-	12,128

Read Independent Auditor's Report.

COLLIER HEALTH SERVICES, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)
MARCH 31, 2011

	<u>Collier Health Services, Inc.</u>	<u>CHS Healthcare Foundation</u>	<u>Integral Health Plan, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
EXPENSES (Continued)					
Patient care	1,795,144	-	-	-	1,795,144
Medical services, net	-	-	15,226,574	(1,731,951)	13,494,623
Printing	75,241	1,037	-	-	76,278
Postage	23,207	412	-	-	23,619
Supplies	244,040	586	-	-	244,626
Training	57,575	-	-	-	57,575
Travel	106,264	2,096	-	-	108,360
Utilities	551,440	531	-	-	551,971
Vehicle	96,012	-	-	-	96,012
Interest and bank fees	224,381	543	217,419	-	442,343
Depreciation	612,429	209	-	-	612,638
Other	778,479	731	1,541	-	780,751
	<u>22,509,222</u>	<u>6,813</u>	<u>20,928,752</u>	<u>(1,731,951)</u>	<u>41,712,836</u>
Total expenses					
Excess (deficiency) of revenues over expenses	<u>\$ 3,676,778</u>	<u>\$ 43,967</u>	<u>\$ (494,388)</u>	<u>\$ -</u>	<u>\$ 3,226,357</u>

Read Independent Auditor's Report.



Myers, Brettholtz & Company, PA
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

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
Collier Health Services, Inc.
Immokalee, Florida

We have audited the consolidated financial statements of Collier Health Services, Inc. as of and for the years ended March 31, 2012 and 2011, and have issued our report thereon dated June 8, 2012. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of Integral Health Plan, Inc., a subsidiary, as described in our report on the consolidated financial statements of Collier Health Services, Inc. The financial statements of Integral Health Plan, Inc., a subsidiary, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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.

Compliance and Other Matters

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

Board of Directors
Collier Health Services, Inc.
Page 2

This report is intended solely for the information and use of management, others within the Organization, the Board of Directors of Collier Health Services, Inc., and 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 black ink that reads "Myers, Brettholtz & Company, PA". The signature is written in a cursive, flowing style.

MYERS, BRETT HOLTZ & COMPANY, PA
Fort Myers, Florida
June 8, 2012



Myers, Brettholtz & Company, PA
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

**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**

Board of Directors
Collier Health Services, Inc.
Immokalee, Florida

Compliance

We have audited Collier Health Services, Inc. (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Collier Health Services, Inc.'s major federal programs for the years ended March 31, 2012 and 2011. Collier Health Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedules 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 Collier Health Services, Inc.'s management. Our responsibility is to express an opinion on Collier Health Services, Inc.'s compliance based on our audits.

We conducted our audits 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 our audits 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 Collier Health Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provides a reasonable basis for our opinion. Our audits do not provide a legal determination of Collier Health Services, Inc.'s compliance with those requirements.

In our opinion, Collier Health Services, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended March 31, 2012 and 2011.

Internal Control Over Compliance

Management of Collier Health Services, Inc. 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 audits, we considered Collier Health Services, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Collier Health Services, Inc.'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 combinations 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 the 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 deficiencies, 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 management, others within the Organization, the Board of Directors of Collier Health Services, Inc., and 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.



MYERS, BRETT HOLTZ & COMPANY, PA
Fort Myers, Florida
June 8, 2012

COLLIER HEALTH SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
MARCH 31, 2012

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes no

Significant deficiencies identified that are not considered to be material weaknesses? ___ yes none reported

Noncompliance material to financial statements noted? ___ yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ yes no

Significant deficiencies identified that are not considered to be material weaknesses? ___ yes none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ___ yes no

Major programs:

CFDA Number 93.224 Consolidated Health Centers

CFDA Number 93.703 ARRA - Grants to Health Center Programs

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes ___ no

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

COLLIER HEALTH SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
MARCH 31, 2011

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Major programs:

CFDA Number 93.224 Consolidated Health Centers

CFDA Number 93.703 ARRA - Grants to Health Center Programs

CFDA Number 93.918 Outpatient Early Intervention Services - HIV

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

COLLIER HEALTH SERVICES, INC.
DISPOSITION OF PRIOR YEAR AUDIT FINDINGS
MARCH 31, 2012 AND 2011

There were no prior year audit findings for the years ended March 31, 2012 and 2011.