

Crusaders Central Clinic Association

Accountants' Reports and Financial Statements

June 30, 2012 and 2011

Crusaders Central Clinic Association
June 30, 2012 and 2011

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Directors
Crusaders Central Clinic Association
Rockford, Illinois

We have audited the accompanying balance sheets of Crusaders Central Clinic Association as of June 30, 2012 and 2011, and the related statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 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 audits provide 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 Crusaders Central Clinic Association as of June 30, 2012 and 2011, and the results of its operations, 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 November 2, 2012, on our consideration of the Organization's internal control over financial reporting and 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 audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits 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 basic financial statements taken as a whole.

BKD, LLP

November 2, 2012

Crusaders Central Clinic Association

Balance Sheets

June 30, 2012 and 2011

Assets

	<u>2012</u>	<u>2011</u>
Current Assets		
Cash and cash equivalents	\$ 4,673,849	\$ 4,033,151
Patient accounts receivable, net of allowance; 2012 - \$1,627,391 and 2011 - \$1,914,491	3,850,723	1,612,533
Grants and other receivables	409,813	807,761
Supplies	416,399	398,728
Prepaid expenses and other	<u>143,502</u>	<u>110,373</u>
Total current assets	<u>9,494,286</u>	<u>6,962,546</u>
Assets Limited As To Use		
Internally designated	<u>4,250,000</u>	<u>4,250,000</u>
Property and Equipment, At Cost		
Land and land improvements	1,480,490	1,480,746
Buildings and leasehold improvements	19,955,469	16,198,212
Equipment	5,796,160	4,990,639
Construction in progress	-	2,788,370
	<u>27,232,119</u>	<u>25,457,967</u>
Less accumulated depreciation	<u>10,968,920</u>	<u>9,144,807</u>
	<u>16,263,199</u>	<u>16,313,160</u>
Interest in Net Assets of Crusaders Health Foundation	<u>2,270,701</u>	<u>2,338,308</u>
Total assets	<u>\$ 32,278,186</u>	<u>\$ 29,864,014</u>

Liabilities and Net Assets

	<u>2012</u>	<u>2011</u>
Current Liabilities		
Current maturities of long-term debt	\$ 95,049	\$ 58,656
Accounts payable	682,756	1,233,707
Accrued expenses	1,881,711	1,661,863
Deferred revenue	-	64,000
	<hr/>	<hr/>
Total current liabilities	2,659,516	3,018,226
Long-Term Debt	<hr/>	<hr/>
	56,472	1,141,344
Total liabilities	<hr/>	<hr/>
	2,715,988	4,159,570
Net Assets		
Unrestricted	27,063,380	23,058,242
Temporarily restricted	1,659,669	1,795,882
Permanently restricted	839,149	850,320
	<hr/>	<hr/>
Total net assets	29,562,198	25,704,444
Total liabilities and net assets	<hr/>	<hr/>
	\$ 32,278,186	\$ 29,864,014

Crusaders Central Clinic Association
Statements of Operations
Years Ended June 30, 2012 and 2011

	2012	2011
Unrestricted Revenues, Gains and Other Support		
Net patient service revenue	\$ 22,955,563	\$ 20,333,197
Federal grant revenue	5,021,357	5,088,753
Other grant and contract revenue	332,506	200,077
Contributions	1,080,820	1,068,165
Other	977,656	71,552
Net assets released from restrictions used for operations	79,777	82,027
Total unrestricted revenues, gains and other support	30,447,679	26,843,771
Expenses and Losses		
Salaries and wages	15,056,280	13,530,024
Employee benefits	2,705,060	2,772,261
Purchased services and professional fees	1,760,484	1,208,166
Supplies and other	5,844,658	5,406,901
Rent	17,283	104,789
Depreciation	1,869,185	1,441,390
Interest	42,566	24,203
Provision for uncollectible accounts	713,051	1,012,281
Total expenses and losses	28,008,567	25,500,015
Operating Income	2,439,112	1,343,756
Other Income		
Investment return	2,513	7,537
Excess of Revenues Over Expenses	2,441,625	1,351,293
Grants for acquisition of property and equipment	1,335,675	4,719,778
Contributions for acquisition of property and equipment	227,838	393,682
Increase in Unrestricted Net Assets	\$ 4,005,138	\$ 6,464,753

Crusaders Central Clinic Association
Statements of Changes in Net Assets
Years Ended June 30, 2012 and 2011

	2012	2011
Unrestricted Net Assets		
Excess of revenues over expenses	\$ 2,441,625	\$ 1,351,293
Grants for acquisition of property and equipment	1,335,675	4,719,778
Contributions for acquisition of property and equipment	227,838	393,682
Increase in unrestricted net assets	4,005,138	6,464,753
Temporarily Restricted Net Assets		
Change in interest in net assets of Crusaders Health Foundation	(56,436)	477,469
Net assets released from restriction	(79,777)	(82,027)
Increase (decrease) in temporarily restricted net assets	(136,213)	395,442
Permanently Restricted Net Assets		
Change in interest in net assets of Crusaders Health Foundation	(11,171)	111,491
Increase (decrease) in permanently restricted net assets	(11,171)	111,491
Change in Net Assets	3,857,754	6,971,686
Net Assets, Beginning of Year	25,704,444	18,732,758
Net Assets, End of Year	\$ 29,562,198	\$ 25,704,444

Crusaders Central Clinic Association
Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
Operating Activities		
Change in net assets	\$ 3,857,754	\$ 6,971,686
Items not requiring (providing) cash		
(Gain) loss on disposal of property and equipment	(31,480)	48,886
Depreciation	1,869,185	1,441,390
Change in interest in net assets of Crusaders Health Foundation	67,607	(588,960)
Grants for acquisition of property and equipment	(1,335,675)	(4,719,778)
Contributions for acquisition of property and equipment	(227,838)	(393,682)
Changes in		
Patient accounts receivable, net	(2,238,190)	1,259,865
Estimated amounts due from third-party payers	(11,215)	30,000
Accounts payable and accrued expenses	324,357	135,978
Other current assets and liabilities	294,363	37,990
Net cash provided by operating activities	2,568,868	4,223,375
Investing Activities		
Purchase of assets limited as to use	-	(2,250,000)
Purchase of property and equipment	(2,488,804)	(6,473,033)
Proceeds from disposal of property and equipment	45,600	55,578
Net cash used in investing activities	(2,443,204)	(8,667,455)
Financing Activities		
Proceeds from grants for acquisition of property and equipment	1,335,675	4,719,778
Proceeds from contributions for acquisition of property and equipment	227,838	393,682
Principal payments on long-term debt	(1,048,479)	(1,132,604)
Proceeds from issuance of long-term debt	-	1,200,000
Net cash provided by financing activities	515,034	5,180,856
Increase in Cash and Cash Equivalents	640,698	736,776
Cash and Cash Equivalents, Beginning of Year	4,033,151	3,296,375
Cash and Cash Equivalents, End of Year	\$ 4,673,849	\$ 4,033,151
Supplemental Cash Flows Information		
Interest paid	\$ 47,021	\$ 20,735
Property and equipment acquisitions in accounts payable	\$ 4,276	\$ 659,736

Crusaders Central Clinic Association

Notes to Financial Statements

June 30, 2012 and 2011

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Crusaders Central Clinic Association (the "Organization") primarily earns revenues by providing health care services through clinics and programs located in Rockford, Illinois, and surrounding areas.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2012 and 2010, cash equivalents consisted primarily of money market deposit accounts.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$250,000. Pursuant to legislation enacted in 2010, the FDIC will fully ensure all noninterest-bearing transaction accounts beginning December 31, 2010, through December 31, 2012, at all FDIC-insured institutions.

Assets Limited As To Use

Assets limited as to use primarily include internally designated assets set aside by the Board of Directors for future capital improvements over which the Board retains control and may at its discretion subsequently use for other purposes.

Investment Return

Investment return is comprised of interest income.

Patient Accounts Receivable

The Organization reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Organization provides an allowance for doubtful accounts based upon review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient, the Organization bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

Crusaders Central Clinic Association

Notes to Financial Statements

June 30, 2012 and 2011

Supplies

The Organization states supply inventories at the lower of cost, determined using the first-in, first-out method, or market.

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective useful lives.

Certain property and equipment have been purchased with grant funds received from the U.S. Department of Health and Human Services. Such items may be reclaimed by the federal government if not used to further the grant's objectives.

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2012 and 2011.

Interest in Net Assets of Crusaders Health Foundation

Crusaders Health Foundation (the "Foundation") and the Organization are financially interrelated organizations as defined in ASC 958. The Foundation seeks private support for and holds net assets on behalf of the Organization. The Organization accounts for its interest in the net assets of the Foundation (Interest) in a manner similar to the equity method. Changes in the Interest are included in change in net assets. Transfers of assets between the Foundation and the Organization are recognized as increases or decreases in the Interest.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

Crusaders Central Clinic Association

Notes to Financial Statements

June 30, 2012 and 2011

Net Patient Service Revenue

The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Contributions

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Gifts received with donor stipulations are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions. Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

Donated Supplies

The Organization recognizes donated pharmaceutical supplies at fair value. Donated supplies totaling \$883,300 and \$1,040,702 are recorded as contribution revenue and supplies expense for the years ended June 30, 2012 and 2011, respectively.

Income Taxes

The Organization has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible federally qualified health centers that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to six years based upon a statutory formula, as determined by

Crusaders Central Clinic Association

Notes to Financial Statements

June 30, 2012 and 2011

the State, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the Organization continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the State, fiscal intermediary or Medicare Administrative Contractor. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Organization recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

During the year ended June 30, 2012, the Organization completed the first-year requirements under the Medicaid program for certain providers and has recorded revenue of approximately \$822,000, which is included in other revenue in the statements of operations.

Excess of Revenues Over Expenses

The statements of operations include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include permanent transfers to and from affiliates for other than goods and services and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 financial statements presentation. These reclassifications had no effect on the change in net assets.

Subsequent Events

Subsequent events have been evaluated through the date of Independent Accountants' Report, which is the date the financial statements were available to be issued.

Note 2: Grant Revenue

The Organization is the recipient of a Consolidated Health Centers (CHC) grant from the U.S. Department of Health and Human Services. The general purpose of the grant is to provide expanded health care service delivery for residents of Rockford, Illinois, and surrounding areas. Terms of the grant generally provide for funding of the Organization's operations based on an approved budget. Grant revenue is recognized as qualifying expenditures are incurred over the grant period. During the years ended June 30, 2012 and 2011, the Organization recognized \$4,587,507 and \$4,357,312 in CHC grant revenue, respectively. Funding for the nine-month grant period ending November 30, 2012, is approved at \$4,638,881.

Crusaders Central Clinic Association

Notes to Financial Statements

June 30, 2012 and 2011

The Organization is also a recipient of a Ryan White Outpatient Early Intervention Services with Respect to HIV Disease (Ryan White) grant from the U.S. Department of Health and Human Services. The general purpose of the grant is to provide expanded HIV services in Rockford, Illinois, and surrounding areas. Terms of the grant generally provide for funding of the Organization's operations based on an approved budget. During the years ended June 30, 2012 and 2011, the Organization received \$410,197 in Ryan White grant funds.

In response to the current economic conditions, the federal government passed legislation appropriating grant dollars to community health centers under the American Recovery and Reinvestment Act (ARRA). The Organization has been awarded \$556,180 under the Increased Demand for Services (IDS) grant for the March 27, 2009, to March 26, 2011, period to assist in meeting the needs of their community. During the years ended June 30, 2012 and 2011, the Organization recognized \$0 and \$286,245 in IDS grant revenue, respectively. The Organization has also been awarded \$1,652,800 under the Capital Improvement Program (CIP) grant for the June 29, 2009, to June 28, 2011, period to purchase equipment and make facility improvements. During the years ended June 30, 2012 and 2011, the Organization recognized \$0 and \$937,175 in CIP grant revenue, respectively. The Organization has also been awarded \$5,342,337 under the Facility Improvement Program (FIP) grant for the December 9, 2009, to December 8, 2011, period to build a new facility and to make improvements on an existing facility. During the years ended June 30, 2012 and 2011, the Organization recognized \$1,359,328 and \$3,817,201 in FIP grant revenue, respectively.

In addition to these grants, the Organization receives additional financial support from other federal, state and private sources. Generally, such support requires compliance with terms and conditions specified in grant agreements and must be renewed on an annual basis.

Note 3: Net Patient Service Revenue

The Organization is approved as a Federally Qualified Health Center (FQHC) for both Medicare and Medicaid reimbursement purposes. The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. These payment arrangements include:

Medicare. Covered FQHC services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report by the Organization and audit thereof by the Medicare fiscal intermediary. Services not covered under the FQHC benefit are paid based on established fee schedules.

Medicaid. Covered FQHC services rendered to Medicaid program beneficiaries are paid based on a prospective reimbursement methodology. The Organization is reimbursed a set encounter rate for all services provided under the plan.

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Notes to Financial Statements

June 30, 2012 and 2011

Approximately 77% and 80% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2012 and 2011, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Organization has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates and discounts from established charges.

Note 4: Concentrations of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at June 30, 2012 and 2011, was:

	<u>2012</u>	<u>2011</u>
Medicare	4%	15%
Medicaid	90%	70%
Patients and other third-party payers	6%	15%
	<u>100%</u>	<u>100%</u>

Note 5: Investments and Investment Return

Assets Limited As To Use

Assets limited as to use include:

	<u>2012</u>	<u>2011</u>
Internally designated		
Cash	\$ 4,000,000	\$ 4,000,000
Certificates of deposit	250,000	250,000
	<u>\$ 4,250,000</u>	<u>\$ 4,250,000</u>

Crusaders Central Clinic Association

Notes to Financial Statements

June 30, 2012 and 2011

Investment return of \$2,513 and \$7,537 for the years ended June 30, 2012 and 2011, respectively, is comprised of interest income and is reflected in the statements of operations as other nonoperating income.

Note 6: Interest in Net Assets of Crusaders Health Foundation

Crusaders Health Foundation (the “Foundation”) was established to benefit the general public and the Organization. The Foundation’s Board of Directors determines the amount, timing and purpose of the distribution of Foundation funds. The Organization recognizes its interest in the net assets held by the Foundation in a manner similar to the equity method. At June 30, 2012 and 2011, \$2,270,701 and \$2,338,308, respectively, is recognized as the Organization’s interest in the net assets of the Foundation, which includes contributions received by the Foundation and pledges receivable by the Foundation that are donor restricted to be used for Organization purposes.

During the years ended June 30, 2012 and 2011, the Organization was granted \$425,358 and \$421,145 from the Foundation, respectively. The Organization also provides management services to the Foundation. During the years ended June 30, 2012 and 2011, the Organization recognized \$118,698 and \$110,850 in management fee revenue, respectively. At June 30, 2012 and 2011, the Organization had a receivable of \$55,252 and \$67,344 due from the Foundation, respectively.

Note 7: Malpractice Claims

The U.S. Department of Health and Human Services has deemed the Organization and its participating providers covered under the Federal Torts Claims Act (FTCA) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap.

In 2012, the Organization adopted the provisions of Accounting Standards Update (ASU) 2010-24 *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries*, which eliminates the practice of netting claim liabilities with expected insurance recoveries for balance sheet presentation. Claim liabilities are to be determined without consideration of insurance recoveries. Expected recoveries are presented separately. Prior to the adoption of ASU 2010-24, accounting principles generally accepted in the United States of America require a health care provider to accrue only an estimate of the malpractice claims cost for both reported claims and claims incurred but not reported where the risk of loss had not been transferred to a financially viable insurer. There was no impact of the ASU adoption to the Organization’s financial statements.

Based upon the Organization’s claim experience, no accrual has been made for the Organization’s medical malpractice cost for the years ended June 30, 2012 and 2011. However, because of the risk in providing health care services, it is possible that an event has occurred which will be the basis of a future medical claim.

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Notes to Financial Statements
June 30, 2012 and 2011

Note 8: Employee Medical Insurance Claims

The Organization provides certain health care medical insurance coverage for all eligible employees. Under the terms of the insurance policy, the Organization is at risk for covered claims submitted, not to exceed \$40,000 per person per year. Effective September 1, 2010, this not to exceed amount was increased to \$45,000 per person per year. The Organization is indemnified for claims in excess of approximately \$1,000,000 in the aggregate by the stop-loss insurance policy coverage.

Note 9: Line of Credit

The Organization has a \$2,000,000 bank line of credit which expires on December 31, 2012. The line is collateralized by patient accounts receivable and supplies inventories and charges interest at the London Interbank Offered Rate (LIBOR) plus 4.25%, with a minimum interest rate of 5% (5% at June 30, 2012). At June 30, 2012 and 2011, the Organization had no outstanding borrowings against this line of credit.

Note 10: Long-Term Debt

At June 30, 2012 and 2011, the Organization's long-term debt consisted of:

	2012	2011
Note payable, bank (A)	\$ 151,521	\$ 1,200,000
Less current maturities	95,049	58,656
	\$ 56,472	\$ 1,141,344

(A) Due June 1, 2016; payable \$9,016 monthly including interest at 4.15% with a final payment of remaining principal and interest on the due date; secured by certain property. Payments in excess of required monthly amounts were made on the note during 2012.

Aggregate annual maturities of long-term debt at June 30, 2012, are:

2013	\$ 95,049
2014	56,472
	\$ 151,521

Crusaders Central Clinic Association

Notes to Financial Statements

June 30, 2012 and 2011

Note 11: Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2012 and 2011, are available for the following purposes or periods:

	<u>2012</u>	<u>2011</u>
Pharmaceutical program	\$ 228,117	\$ 219,960
Health care services	-	87,933
Interest in net assets of Foundation restricted for		
Health care services	475,801	296,772
Capital purchases	244,230	407,237
Periods after June 30	<u>711,521</u>	<u>783,980</u>
	<u>\$ 1,659,669</u>	<u>\$ 1,795,882</u>

The Organization has permanently restricted net assets at June 30, 2012 and 2011, which represent Crusaders Health Foundation's interest in a perpetual trust and investments in perpetuity for which only the income may be expended.

Note 12: Functional Expenses

The Organization provides health care services to residents within its service area. Expenses related to providing these services, including depreciation expense, are as follows:

	<u>2012</u>	<u>2011</u>
Health care services	\$ 22,710,917	\$ 20,886,193
General and administrative	<u>5,297,650</u>	<u>4,613,822</u>
	<u>\$ 28,008,567</u>	<u>\$ 25,500,015</u>

Note 13: Retirement Plan

The Organization has a 403(b) defined contribution plan covering substantially all employees. For each eligible participant, the Organization contributes a matching contribution equal to 25% of employee contributions that do not exceed 6% of compensation; however, any employer contributions are discretionary in nature and are subject to reduction or termination. Retirement plan expense for the years ended June 30, 2012 and 2011, was \$78,925 and \$92,213, respectively.

Crusaders Central Clinic Association

Notes to Financial Statements

June 30, 2012 and 2011

Note 14: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerability due to certain concentrations. Those matters include the following:

Grant Revenues

Concentration of revenues related to grant awards and other support are described in *Note 2*.

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in *Notes 1 and 3*.

Estimated Liability for Employee Health Care

Estimates related to the accrual for self-insurance claims are described in *Note 8*.

Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Note 7*.

Current Economic Conditions

The current protracted economic environment continues to present health centers with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair value of investments and other assets and declines in contributions. The financial statements have been prepared using values and information currently available to the Organization.

Current economic conditions, including the rising unemployment rate, have made it difficult for certain of our patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may impact net patient service revenue. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the current economic conditions, the values of assets and liabilities recorded in the financial statements could change in the future, resulting in adjustments in investment values and allowances for accounts receivable.

Supplementary Information

Crusaders Central Clinic Association
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount Expended
Consolidated Health Centers	U.S. Department of Health and Human Services	93.224	6 H80 CS 00113-11-03	\$ 2,690,012
Affordable Care Act Grants for New and Expanded Services Under the Health Care Program	U.S. Department of Health and Human Services	93.527	6 H80 CS 00113-11-03	<u>1,897,495</u>
Total cluster				4,587,507
ARRA – Facility Improvement Program	U.S. Department of Health and Human Services	93.703	6 C80 CS 16964-01-02	1,359,328
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	U.S. Department of Health and Human Services	93.918	2 H76 HA 00109-22-00	<u>410,197</u>
				<u><u>\$ 6,357,032</u></u>

Notes to Schedule

1. This schedule includes the federal awards activity of Crusaders Central Clinic Association 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 financial statements.
2. Crusaders Central Clinic Association did not provide a federal award to a subrecipient during the year ended June 30, 2012.

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Crusaders Central Clinic Association
Rockford, Illinois

We have audited the financial statements of Crusaders Central Clinic Association as of and for the year ended June 30, 2012, and have issued our report thereon dated November 2, 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.

Internal Control Over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization's 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 the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization'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 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 the Organization's 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
Crusaders Central Clinic Association

This report is intended solely for the information and use of the governing body, management and others within the Organization and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

November 2, 2012

**Independent Accountants' 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
Crusaders Central Clinic Association
Rockford, Illinois

Compliance

We have audited the compliance of Crusaders Central Clinic Association with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2012. The Organization's major federal programs are identified in the summary of auditor's 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 the Organization's management. Our responsibility is to express an opinion on the compliance of Crusaders Central Clinic Association 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 the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

In our opinion, Crusaders Central Clinic Association complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Crusaders Central Clinic Association 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 the Organization's 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 Organization's internal control over compliance.

Board of Directors
Crusaders Central Clinic Association

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 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 the governing body, management, others within the Organization and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

November 2, 2012

Crusaders Central Clinic Association
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.

9. The Organization qualified as a low-risk auditee as that term is defined in OMB Circular A-133? Yes No

Crusaders Central Clinic Association
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Crusaders Central Clinic Association
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Crusaders Central Clinic Association
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012

Reference Number	Summary of Finding	Status
No matters are reportable.		