

# Erie Family Health Center, Inc.

*Financial Statements for the Years Ended  
June 30, 2012 and 2011*

{ Financial Statements }

plante  
moran

# Erie Family Health Center, Inc.

Years Ended June 30, 2012 and 2011

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## Independent Auditor's Report

Board of Directors  
Erie Family Health Center, Inc.  
Chicago, Illinois

We have audited the accompanying balance sheet of **Erie Family Health Center, Inc.** as of June 30, 2012, and the related statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of **Erie Family Health Center, Inc.'s** management. Our responsibility is to express an opinion on these financial statements based on our audit. The balance sheet of **Erie Family Health Center, Inc.** as of June 30, 2011, and the related statements of operations and changes in net assets and cash flows for the year then ended were audited by Blackman Kallick, LLP, whose report dated October 31, 2011 expressed an unqualified opinion on those statements. Blackman Kallick, LLP subsequently merged into Plante & Moran, PLLC.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Erie Family Health Center, Inc.** as of June 30, 2012, and the results of its operations, changes in net assets and cash flows for the year 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 December 18, 2012, on our consideration of **Erie Family Health Center, 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 audit.

Our audit was conducted for the purpose of forming an opinion on the basic 2012 financial statements of **Erie Family Health Center, Inc.** taken as a whole. The accompanying schedule of expenditures of federal awards is 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 is also 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 audit of the basic 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 2012 financial statements taken as whole.

*Plante & Moran, PLLC*

December 18, 2012

# Erie Family Health Center, Inc.

*Years Ended June 30, 2012 and 2011*

**Financial Statements**

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## Erie Family Health Center, Inc.

Balance Sheets  
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Current Assets</b>		
Cash	\$ 4,287,556	\$ 2,368,921
Certificates of deposit	4,444,807	4,420,917
Patient accounts receivable (Net of allowance for doubtful accounts of \$409,080 and \$274,752 in 2012 and 2011, respectively)	3,274,264	1,708,683
Grants receivable	2,246,543	1,993,216
Other receivables	146,993	234,125
Prepaid expenses and other	<u>357,305</u>	<u>148,928</u>
Total Current Assets	14,757,468	10,874,790
<b>Property and Equipment, Net</b>	10,420,891	10,465,581
<b>Investment in Alliance</b>	<u>466,365</u>	<u>462,216</u>
Total Assets	<u><u>\$ 25,644,724</u></u>	<u><u>\$ 21,802,587</u></u>

**Liabilities and Net Assets**

	<u>2012</u>	<u>2011</u>
<b>Current Liabilities</b>		
Accounts payable	\$ 745,336	\$ 805,478
Long-term debt due within one year	118,219	104,254
Accrued expenses		
Salaries and wages	1,347,336	1,078,200
Accrued bonus	389,748	293,276
Other	178,660	356,531
Deferred revenue	220,363	10,717
	<u>2,999,662</u>	<u>2,648,456</u>
Total Current Liabilities		
<b>Long-Term Liabilities</b>		
Long-term debt (Net of portion included in current liabilities)	1,493,372	1,616,099
Estimated third-party payor liability	832,110	832,110
	<u>2,325,482</u>	<u>2,448,209</u>
Total Long-Term Liabilities		
Total Liabilities	<u>5,325,144</u>	<u>5,096,665</u>
<b>Net Assets</b>		
Unrestricted	19,919,892	16,072,557
Temporarily restricted	399,688	633,365
	<u>20,319,580</u>	<u>16,705,922</u>
Total Net Assets		
Total Liabilities and Net Assets	<u><u>\$ 25,644,724</u></u>	<u><u>\$ 21,802,587</u></u>

## Erie Family Health Center, Inc.

Statements of Operations and Changes in Net Assets  
Years Ended June 30, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenue</b>						
Department of Health and Human Services grants	\$ 6,684,153	\$ -	\$ 6,684,153	\$ 5,128,118	\$ -	\$ 5,128,118
Patient services	18,080,448	-	18,080,448	16,619,151	-	16,619,151
Contract services and other grants	6,593,300	288,063	6,881,363	4,924,214	533,375	5,457,589
Contributions and other	696,285	-	696,285	497,297	-	497,297
Released from restrictions	541,499	(541,499)	-	385,579	(385,579)	-
<b>Total Revenue</b>	<b>32,595,685</b>	<b>(253,436)</b>	<b>32,342,249</b>	<b>27,554,359</b>	<b>147,796</b>	<b>27,702,155</b>
<b>Expenses</b>						
Salaries and benefits	22,760,942	-	22,760,942	19,719,490	-	19,719,490
Other operating expenses	5,251,009	-	5,251,009	4,451,399	-	4,451,399
Interest	82,608	-	82,608	99,118	-	99,118
Bad debt expense	551,110	-	551,110	482,436	-	482,436
<b>Total Expenses</b>	<b>28,645,669</b>	<b>-</b>	<b>28,645,669</b>	<b>24,752,443</b>	<b>-</b>	<b>24,752,443</b>
<b>Operating Income (Loss) Prior to Depreciation and Amortization</b>	<b>3,950,016</b>	<b>(253,436)</b>	<b>3,696,580</b>	<b>2,801,916</b>	<b>147,796</b>	<b>2,949,712</b>
<b>Depreciation and Amortization</b>	<b>1,344,191</b>	<b>-</b>	<b>1,344,191</b>	<b>1,135,078</b>	<b>-</b>	<b>1,135,078</b>
<b>Operating Income (Loss)</b>	<b>2,605,825</b>	<b>(253,436)</b>	<b>2,352,389</b>	<b>1,666,838</b>	<b>147,796</b>	<b>1,814,634</b>
<b>Capital Projects</b>						
Capital projects grants	1,177,120	100,000	1,277,120	2,372,241	80,241	2,452,482
Satisfaction of capital projects grant restrictions	80,241	(80,241)	-	-	-	-
<b>Total Capital Projects</b>	<b>1,257,361</b>	<b>19,759</b>	<b>1,277,120</b>	<b>2,372,241</b>	<b>80,241</b>	<b>2,452,482</b>
<b>Share of Alliance (Loss) Earnings</b>	<b>(15,851)</b>	<b>-</b>	<b>(15,851)</b>	<b>147,235</b>	<b>-</b>	<b>147,235</b>
<b>Change in Net Assets</b>	<b>3,847,335</b>	<b>(233,677)</b>	<b>3,613,658</b>	<b>4,186,314</b>	<b>228,037</b>	<b>4,414,351</b>
<b>Net Assets, Beginning of Year</b>	<b>16,072,557</b>	<b>633,365</b>	<b>16,705,922</b>	<b>11,886,243</b>	<b>405,328</b>	<b>12,291,571</b>
<b>Net Assets, End of Year</b>	<b>\$ 19,919,892</b>	<b>\$ 399,688</b>	<b>\$ 20,319,580</b>	<b>\$ 16,072,557</b>	<b>\$ 633,365</b>	<b>\$ 16,705,922</b>

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

## Erie Family Health Center, Inc.

Statements of Cash Flows  
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 3,613,658	\$ 4,414,351
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,344,191	1,135,078
Provision for bad debt	551,110	482,436
Undistributed loss (earnings) from Alliance	15,851	(147,235)
Increase in		
Patient accounts receivable	(2,116,691)	(327,850)
Grants receivable	(253,327)	(160,889)
Prepaid expenses and other receivables	(121,245)	(88,246)
Increase (decrease) in		
Accounts payable	170,511	(78,765)
Accrued expenses	187,737	181,604
Deferred revenue	209,646	(65,233)
	<u>(12,217)</u>	<u>930,900</u>
Total Adjustments		
Net Cash Provided by Operating Activities	<u>3,601,441</u>	<u>5,345,251</u>
<b>Cash Flows from Investing Activities</b>		
Capital expenditures	(1,530,154)	(4,455,954)
Purchases of certificates of deposit	(23,890)	(15,928)
Capital contributions to Alliance	(20,000)	(20,000)
	<u>(1,574,044)</u>	<u>(4,491,882)</u>
Net Cash Used in Investing Activities		

## Erie Family Health Center, Inc.

Statements of Cash Flows  
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Net Cash Used in Financing Activities -</b>		
Repayments of long-term debt	<u>\$ (108,762)</u>	<u>\$ (98,246)</u>
<b>Net Increase in Cash</b>	1,918,635	755,123
<b>Cash, Beginning of Year</b>	<u>2,368,921</u>	<u>1,613,798</u>
<b>Cash, End of Year</b>	<u><u>\$ 4,287,556</u></u>	<u><u>\$ 2,368,921</u></u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest	<u><u>\$ 82,608</u></u>	<u><u>\$ 99,118</u></u>
Purchases of property and equipment included in accounts payable	<u><u>\$ 218,372</u></u>	<u><u>\$ 449,025</u></u>

# Erie Family Health Center, Inc.

## Notes to Financial Statements

### Note 1 - Industry Operations

Erie Family Health Center, Inc., (the Center) operates a healthcare center located in Chicago, Illinois. The Center provides a broad range of health services to a large medically underserved population. The Center provides comprehensive health services at nine health centers: three large primary health care centers, one adolescent-only health center, three elementary school-based health centers and two dental health centers.

The U.S. Department of Health and Human Services (DHHS) provides substantial support to the Center under its Community Health Center Program. The Center is obligated under the terms of the DHHS grant to comply with specified conditions and program requirements set forth by the grantor.

### Note 2 - Summary of Significant Accounting Policies

#### Basis of Presentation

The accompanying financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAPUSA). The separate classes of net assets are defined as follows:

Unrestricted - Amounts that are currently available for use in the Center's operations and for the acquisition of equipment.

Temporarily Restricted - Amounts that are stipulated by donors for specific operating purposes or that expire with the passage of time. Donor-restricted contributions, whose restrictions expire during the same fiscal year, are recognized as unrestricted revenue.

#### Cash

The Center maintains its cash in bank deposit accounts at Citibank, North Community Bank and Urban Partnership Bank. Starting on December 31, 2010, according to the Dodd Frank Wall Street Reform and Consumer Protection Act, all noninterest bearing transaction accounts will have unlimited FDIC coverage until December 31, 2012. The Center has not experienced any losses in such accounts. The Center believes it is not exposed to any significant credit risk on cash.

#### Certificates of Deposit

Certificates of Deposit are held with reputable financial institutions and are carried on amortized cost.

#### Public Support and Revenue Recognition

Public support and revenue are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on other assets or liabilities are reported as an increase or decrease in unrestricted net assets unless explicit donor stipulation or law restricts their use.

## Erie Family Health Center, Inc.

### Notes to Financial Statements

#### Note 2 - Summary of Significant Accounting Policies

##### Public Support and Revenue Recognition (Continued)

Contributions, including unconditional promises to give and certain grants, are recorded when pledged by the donor. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give and certain grants are recognized when the conditions on which they depend are substantially met. Unconditional promises to give and certain grants due in the next year are recorded at their net realizable value. Unconditional promises to give and certain grants due in subsequent years are reported at fair value using risk-free rates applicable to the years in which the promises are to be received.

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions. Deferred revenue represents payments received that have not been earned as of the report date. As of June 30, 2012 and 2011, the Center has received conditional grants and contracts from governmental agencies in the aggregate of \$3,312,086 and \$2,019,935, respectively, which have not been recorded in these financial statements. These grants and contracts require the Center to provide certain healthcare services or complete certain capital projects during specified periods. If such activities are not completed during the periods, the governmental entities are not obligated to expend funds allotted under the grants and contracts.

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Payment arrangements include prospectively determined reimbursed costs and discounted charges. Net patient service 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. Management believes that the Center's accrued liability to the Illinois Department of Public Aid (IDPA) is sufficient to cover all amounts owing under current requirements and does not expect significant changes to future financial statements from future IDPA audits. Self-pay revenue is recorded at published charges with charitable allowances deducted to arrive at net self-pay revenue. All other patient services revenue is recorded at published charges with contractual allowances deducted to arrive at patient services, net.

##### Charity Care

The Center provides charity care to patients at fully or partially reduced rates based on certain criteria contained in its sliding scale charity care policy. The sliding scale fee program is based on family income and size and is updated annually based on the published federal poverty levels. The cost of charity care provided was approximately \$2,786,512 and \$2,549,972 for the years ended June 30 2012 and 2011. The cost estimate is based upon the organization wide cost to charge ratio, calculated in the Center's annual cost report.

# Erie Family Health Center, Inc.

## Notes to Financial Statements

### Note 2 - Summary of Significant Accounting Policies (Continued)

#### Investment in Alliance

The Center is one of four members (25% ownership) of the Alliance of Chicago Community Health Services, LLC (the Alliance). The purposes of the Alliance are (1) to form an organization that will coordinate the sharing of resources and the integration of services and systems between and among the members, and, (2) in furtherance of operating for the benefit of the communities served by the members, to help further the charitable goals and missions of the members. Such purposes are in furtherance of the federal government's (specifically, the DHHS, Bureau of Primary Healthcare) encouragement of groups of federally qualified health centers to form networks. The investment in the Alliance is accounted for by the equity method, which increases the initial cost of the investment by the investor's share of earnings and reduces the carrying value by its share of losses and dividends received.

#### Property and Equipment

Property and equipment are stated at cost. The Center's capitalization policy is to capitalize assets with a cost of \$1,000 or more and a useful life of over one year. Depreciation and amortization are computed using the straight-line method based on the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over their useful lives, or the applicable lease term, if shorter.

	<u>Years</u>
Buildings	40
Building improvements	5-20
Machinery and equipment	3-5
Software	3-5
Furniture and fixtures	5
Leasehold improvements	5-20
Vehicles	5

#### Functional Services

Expenses are charged to programs based on direct expenditures incurred. Certain indirect expenditures that benefit more than one program are allocated to the benefited programs based on allocation formulas developed in accordance with OMB Circular A-122, *Cost Principles for Non-Profit Organizations*.

## Erie Family Health Center, Inc.

### Notes to Financial Statements

#### **Note 2 - Summary of Significant Accounting Policies (Continued)**

##### Income Taxes

The Center qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been recorded.

The Center's application of GAAPUSA regarding uncertain tax positions had no effect on its financial position as management believes the Center has no material unrecognized income tax benefits, including any potential risk of loss of its not-for-profit tax status. The Center would account for any potential interest or penalties related to possible future liabilities for unrecognized income tax benefits as income tax expense. The Center is no longer subject to examination by federal, state or local tax authorities for periods before 2009.

##### Management Estimates

The preparation of financial statements in conformity with GAAPUSA requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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.

##### Subsequent Events

The Center has evaluated subsequent events through December 18, 2012, the date the financial statements are available to be issued.

##### New Accounting Standards

In July 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-07 Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities. The amendments in this update require certain health care entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, those health care entities are required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts. The amendments also require disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The amendments are effective for the first annual period ending after December 15, 2012, and interim and annual periods thereafter, with early adoption permitted. The Center is currently evaluating the impact this update will have on its financial statements.

## Erie Family Health Center, Inc.

### Notes to Financial Statements

#### Note 3 - Patient Accounts Receivable, Net

The Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. Patient accounts receivable as of June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Medicaid	\$ 2,917,102	\$ 1,394,582
Medicare	285,778	253,447
Self-pay	274,551	211,835
Other third-party payors	<u>205,913</u>	<u>123,571</u>
	3,683,344	1,983,435
Less allowance for doubtful accounts	<u>(409,080)</u>	<u>(274,752)</u>
	<u><u>\$ 3,274,264</u></u>	<u><u>\$ 1,708,683</u></u>

The allowance for doubtful accounts is estimated by the Center based on historical relationships with patients and other third-party payors. The Center closely reviews all outstanding accounts receivable and follows up on all delinquent accounts. Delinquency status is determined based on the recent payment history of the patient or third-party payor.

## Erie Family Health Center, Inc.

### Notes to Financial Statements

#### Note 4 - Grants Receivable

Grants receivable as of June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Department of Health and Human Services		
Health Resources and Service Administration (HRSA)	\$ 449,530	\$ 433,837
HRSA pass through to Northwestern University	274,248	-
Meaningful Use - Provider EHRS	233,750	-
Agency for Healthcare Research and Quality	33,592	-
Office of Women's Health	2,250	-
Illinois Department of Human Services		
Chicago Family Case Management	232,697	201,730
Targeted Intensive Prenatal Case Management	113,691	155,927
School-Based Health Center	76,875	19,387
Healthy Families of Illinois	48,581	124,055
Healthy Start	31,180	158,935
Title X Family Planning	-	10,990
Teen Pregnancy Services	-	56,744
Teen Pregnancy Prevention	-	14,356
Erie Dental Health Center Humboldt Park	-	20,098
Illinois Department of Public Health		
Capital Development Board	282,431	-
Breast and Cervical Cancer	101,800	106,363
Erie Dental Health Center Humboldt Park	25,988	-
Erie Dental Health Center Albany Park	14,850	-
Access Community Health (Stand Against Cancer)	13,034	31,315
Chicago Department of Public Health		
Ryan White Care Title I/Primary Care	67,503	59,130
Women, Infants and Children	25,853	26,301
Erie Dental Health Center Albany Park	-	6,580
Northwestern Memorial Foundation-Evergreen Invitational	66,034	-
21 Century Learning Henson	49,505	25,663
Ryan White Title II - AIDS Foundation	31,059	22,842
Norwegian American Hospital Family residency program	25,000	87,500
Prince Charitable Trust	25,000	-
Crown Family Philanthropies	15,000	-
Avon Foundation	-	179,849
Washington Square Health Foundation, Inc.	-	26,809
Northwestern Memorial Hospital ARRA pass through	-	188,100
Other	7,092	36,705
	<u>\$ 2,246,543</u>	<u>\$ 1,993,216</u>

## Erie Family Health Center, Inc.

### Notes to Financial Statements

#### Note 5 - Property and Equipment, Net

Property and equipment consist of the following as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Land	\$ 77,800	\$ 77,800
Buildings	5,093,236	5,016,799
Building improvements	6,943,903	6,647,746
Machinery and equipment	3,231,901	2,772,487
Software	868,821	753,894
Furniture and fixtures	1,936,601	1,759,375
Leasehold improvements	713,181	644,489
Vehicles	58,202	58,202
Construction in progress	148,815	54,079
	<u>19,072,460</u>	<u>17,784,871</u>
Accumulated amortization and depreciation	<u>(8,651,569)</u>	<u>(7,319,290)</u>
	<u><u>\$ 10,420,891</u></u>	<u><u>\$ 10,465,581</u></u>

## Erie Family Health Center, Inc.

### Notes to Financial Statements

#### Note 6 - Long-Term Debt

Long-term debt consists of the following as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Note payable to bank, due on December 7, 2014 with monthly payments of principal and interest of \$8,003 and a final balloon payment of \$758,400, at an annual rate of 5.29%; secured by all business assets.	\$ 884,111	\$ 932,913
Note payable #1 to Illinois Facilities Fund, due on December 1, 2021, with monthly payments of principal and interest of \$3,694 at a five year adjustable rate of 3.14%; secured by the property in Humboldt Park and West Town.	363,740	393,720
Note payable #2 to Illinois Facilities Fund, due on December 1, 2021, with monthly payments of principal and interest of \$3,694 at a five year adjustable rate of 3.14%; secured by the property in Humboldt Park and West Town.	<u>363,740</u>	<u>393,720</u>
	1,611,591	1,720,353
Less current maturities	<u>(118,219)</u>	<u>(104,254)</u>
	<u><u>\$ 1,493,372</u></u>	<u><u>\$ 1,616,099</u></u>

Maturities on long-term debt are as follows:

Year Ending June 30:	
2014	\$ 123,076
2015	849,597
2016	73,365
2017	75,702
Later years	<u>371,632</u>
	<u><u>\$ 1,493,372</u></u>

## Erie Family Health Center, Inc.

### Notes to Financial Statements

#### **Note 6 - Long-Term Debt** (Continued)

During 2004, the Center occupied its main facility under the terms of a capital lease and related program agreement from the Illinois Facilities Fund (IFF). This agreement and the related Trust Indenture and Grant Agreement required that IFF own the property and be responsible for ensuring that the facilities are permitted and licensed as a Federal Qualified Health Center concurrent with this program agreement. The Center entered into a grant agreement with the DHHS whereby the DHHS agreed to grant funds to the Center to pay the lease obligation to the IFF, as long as the property continued to be used for community purposes as directed by the DHHS.

Following the expiration of the lease in 2005, the title to the property would be conveyed to the Center upon making the required balloon payment of \$599,933, provided that the property continued to be used for community purposes as directed by the DHHS. The Center has complied in all respects to the program agreement and lease.

During 2005, the Center took ownership of its main facility from IFF. The balloon payment was financed by a \$600,000 bank loan, which was secured by a pledge on a \$600,000 certificate of deposit. This certificate of deposit was reduced to a value of \$520,000 as of June 30, 2006. During 2007, the Center took out two loans for an aggregate total of \$1,000,000 from IFF, and the certificate of deposit from the prior year of \$520,000 was liquidated. A new certificate of deposit was created with an initial balance of \$112,000 and pledged as collateral, in addition to second mortgages on the Humboldt Park and West Town properties. During the year ended June 30, 2008, all restrictions were removed on the Certificate of Deposit. In the event the DHHS grant is terminated, the DHHS reserves the right to transfer all property and equipment, including the main facility, purchased with grant funds and/or grant-related income to the Public Health Service (PHS) or third parties. The Center has no intention of changing its mission and that mission is consistent with the DHHS grant.

## Erie Family Health Center, Inc.

### Notes to Financial Statements

#### Note 7 - Department of Health and Human Services Grants

The Center recognized the following DHHS grants for the years ended June 30, 2012 and 2011:

Grant Number	Grant Period	Total Grant	Unrestricted Revenue Recognized
H80CS00115-10-02	12/10-11/11	\$ 4,663,053	\$ 2,033,249
H80CS00115-11-00 & 03	12/11-11/12	4,761,753	2,765,034
H80CS00115-11-04	07/12-06/13	38,000	-
H80CS00115-11-05	06/12-11/13	975,000	-
H80CS00115-10-07	11/11-09/12	35,000	24,672
H76HA00183-15-00 & 01	07/11-06/12	414,317	399,047
H76HA00183-15-02	07/11-06/13	150,000	35,461
H17MC21561-01-00	03/11-02/12	50,000	37,400
H17MC21561-02-00	03/12-02/13	50,000	16,419
Alliance Subcontract - 1UB2HA20234	09/10-08/13	63,212	12,206
Pass-through from NU D55HP23201-01-00	10/11-09/12	1,246,129	1,243,424
Pass-through from NU Award# T91HP21542	10/11-09/12	153,736	104,038
H8BCS12041-01-00	3/10-3/11	474,325	13,203
		Total 2012	<b><u>\$ 6,684,153</u></b>
H80CS00115-09-03	12/09-11/10	\$ 4,124,090	\$ 1,822,535
H80CS00115-10-02	12/10-11/11	4,623,509	2,640,974
H76HA00183-13-00	07/10-06/11	414,317	414,312
H17MC06704-05-00	03/10-02/11	49,127	34,415
H17MC21561-01-00	03/11-02/12	50,000	12,600
H8BCS12041-01-00	03/10-03/11	474,325	203,282
		Total 2011	<b><u>\$ 5,128,118</u></b>

## Erie Family Health Center, Inc.

### Notes to Financial Statements

#### Note 8 - Patient Service Revenue

Patient service revenue was comprised of the following for the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Medicaid	87%	88%
Medicare	3%	2%
Commercial insurance	3%	3%
Self-pay	7%	7%
	<u><b>100%</b></u>	<u><b>100%</b></u>

#### Note 9 - Contract Services and Other Grants

The Center recognized as revenue the following contract services and other grants for the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Illinois Department of Human Services	\$ 2,965,169	\$ 2,549,990
Department of Health and Human Services	1,404,750	-
Illinois Department of Public Health	463,730	393,871
Chicago Department of Public Health	357,201	433,420
Northwestern Memorial Foundation	237,835	-
Polk Bros. Foundation	180,000	180,000
Avon Foundation	178,190	179,849
AIDS Foundation of Chicago	157,478	163,022
Ravenswood Health Care Foundation	126,773	25,000
Norwegian American Hospital	124,960	350,000
Northwestern Memorial Hospital	89,000	350,612
Northwestern University	82,120	272,509
Twenty First Century	68,843	52,184
Prince Charitable Trust	50,000	25,000
Lloyd A. Fry Foundation	50,000	65,756
Michael Reese Health Trust	30,000	30,000
Grant Health Care Foundation	25,000	25,000
Circle of Service Foundation	25,000	25,000
Advocate Bethany Community Health Fund	22,819	10,000
Aetna Foundation, Inc.	22,115	25,000
Alliance of Chicago Community Health Services, LLC	20,544	-
Sisyphus Supporting Foundation	19,875	25,000
Medicare - Patient Centered Medical Home Dem. Project	17,874	-
D&R Fund	15,000	15,000
Crown Family Philanthropies	15,000	15,000
Bears Care	15,000	22,000

## Erie Family Health Center, Inc.

### Notes to Financial Statements

#### Note 9 - Contract Services and Other Grants (Continued)

	<u>2012</u>	<u>2011</u>
The Chicago Community Trust	\$ 12,828	\$ 15,000
Evanston Community Foundation	12,386	-
The White foundation	12,000	12,000
Bowman C. Lingle Trust	10,000	-
Blue Cross Blue Shield	10,000	-
Susan G. Komen for the Cure Foundation	7,500	22,000
Kroger (Food4Less)	5,000	-
Gilead Sciences, Inc.	5,000	5,000
Chicago Dental Society	5,000	5,000
American Heart Association	5,000	-
VNA Foundation	-	34,375
The Field Foundation of Illinois	-	25,000
The Chartis Foundation	-	25,000
Takeda Pharmaceuticals	-	10,000
Daniel F. and Ada L. Rice Foundation	-	5,000
Cudahy Funds	-	7,500
Illinois Children's Healthcare Foundation	-	19,758
Carl R. Hendrickson Family Foundation	-	10,000
American Medical Association	-	8,500
Other	32,373	20,243
	<u><u>\$ 6,881,363</u></u>	<u><u>\$ 5,457,589</u></u>

#### Note 10 - Capital Projects

The Center recognized as revenue the following grants received for capital projects for the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
State of Illinois Capital Development Board WT HP Renovation	\$ 1,177,120	\$ -
Illinois Children's Healthcare Foundation	-	80,241
Covidien	50,000	-
Anonymous	40,000	-
Chiron Philanthropic Fund	10,000	-
Department of Health and Human Services	-	1,175,821
State of Illinois Earmark Capital HP Project	-	500,000
ARRA Earmark HP Project	-	282,150
State of Illinois Earmark Capital HH Project	-	200,000
Northwestern Memorial Foundation ARRA Pass Through Funds HP	-	188,100
Washington Square Health Care Foundation Equipment for HH	-	26,170
	<u><u>\$ 1,277,120</u></u>	<u><u>\$ 2,452,482</u></u>

## Erie Family Health Center, Inc.

### Notes to Financial Statements

#### Note 11 - Operating Leases

The Center has entered into leases with unrelated parties for three of its office locations at 1945 West Wilson, 3155 West Lawrence and 4759 North Kedzie in Chicago, Illinois. The Center has also entered into leases with unrelated parties for printers. Total rent expense for all operating leases was \$432,583 and \$354,341 in 2012 and 2011, respectively. The leases are set to expire on various dates with the last lease expiring on June 30, 2020.

The following is a schedule by year of future minimum rent payments required under operating leases as of June 30, 2012:

Year Ending June 30:	
2013	\$ 361,417
2014	368,420
2015	324,616
2016	215,750
2017	188,888
Thereafter	<u>437,288</u>
Total Minimum Payments Required	<u><u>\$ 1,896,379</u></u>

#### Note 12 - Retirement Plan

The Center sponsors a 401(k) retirement plan covering substantially all employees who meet certain eligibility requirements. The amount contributed by the Center to the plan is dependent on the contribution of each employee. Total contributions to the plan were \$203,097 and \$186,598 in 2012 and 2011, respectively.

## Erie Family Health Center, Inc.

### Notes to Financial Statements

#### Note 13 - Contingencies

The Center maintains its medical malpractice coverage under the Federal Tort Claims Act (FTCA). FTCA provides malpractice coverage to eligible Public Health Service-supported programs and applies to the Center and its employees while providing services within the scope of employment included under grant-related activities. The attorney general, through the United States Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage.

The Center has contracted with the county, city and other agencies to perform certain healthcare services and receives Medicaid and Medicare revenue from the State of Illinois and the federal government. Reimbursements received under these contracts and payments under Medicaid and Medicare are subject to audit by federal and other governments and agencies. Upon audit, if discrepancies are discovered, the Center could be held responsible for refunding amounts in question. As of November 9, 2012, there are no pending or scheduled audits related to Medicaid and Medicare reimbursements.

Medicaid and Medicare revenue is reimbursed to the Center at the net reimbursement rates as determined by the program's cost report. Reimbursement rates are subject to revisions under the provisions of cost reimbursement regulations. Adjustments for such revisions are recognized in the fiscal year incurred.

#### Note 14 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods as of June 30, 2012 and 2011.

	2012	2011
Erie Division Street Funding for Start-Up Costs	\$ 100,000	\$ -
Northwestern Memorial Hospital Foundation Diabetes Awareness	76,665	229,898
Polk Bros. Foundation - School Based Case Management	74,447	102,880
Fry Foundation - Oral Health at HP	41,963	51,227
Prince Charitable Trust - Staff Morale Improvement	25,000	-
Michael Reese Health Trust - Oral Health at HP	21,329	-
Crown & IDA Foundation - Henson School Support	15,000	14,944
VNA Foundation - School Health Clemente	-	14,330
Chartis Foundation - Urgent Care at WT	-	25,000
Children's Health Care Foundation - Oral Health at HP	-	80,241
The Field Foundation of Illinois - Urgent Care	-	25,000
Other	45,284	89,845
	<u>\$ 399,688</u>	<u>\$ 633,365</u>



**Independent Auditor's Report on Supplemental Information**

Board of Directors  
Erie Family Health Center, Inc.  
Chicago, Illinois

We have audited the financial statements of **Erie Family Health Center, Inc.** as of and for the year ended June 30, 2012 and our report thereon dated December 18, 2012, which expressed an unqualified opinion on those financial statements, appears on pages one and two. Our audit was conducted for the purpose of forming an opinion on the 2012 financial statements as a whole. The 2012 supplemental information on pages 23 through 25 are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the 2012 financial statements as a whole.

The 2011 supplemental information on pages 23 through 25 was subjected to the auditing procedures applied in the 2011 audit of the basic financial statements by Blackman Kallick, LLP, whose report on such information indicated that such information was fairly stated in all material respects in relation to the 2011 financial statements as a whole. Blackman Kallick, LLP subsequently merged into Plante & Moran, PLLC.

*Plante & Moran, PLLC*

December 18, 2012

## Erie Family Health Center, Inc.

Schedule of Functional Expenses  
Years Ended June 30, 2012 and 2011

	2012			2011		
	Program Services	General Administration	Total	Program Services	General Administration	Total
Salaries and wages	\$ 16,745,045	\$ 2,454,138	\$ 19,199,183	\$ 13,935,948	\$ 2,838,127	\$ 16,774,075
Fringe benefits	2,356,697	871,483	3,228,180	1,995,322	726,820	2,722,142
Temporary labor	96,476	22,505	118,981	78,388	26,775	105,163
Other related personnel	82,121	132,477	214,598	49,668	68,442	118,110
Audit and legal	-	63,513	63,513	-	119,922	119,922
Contractual professional services	232,592	238,201	470,793	124,589	81,799	206,388
Office supplies	312,515	88,077	400,592	279,000	70,044	349,044
Medical and lab supplies	556,156	-	556,156	459,342	-	459,342
Pharmaceuticals	310,854	-	310,854	282,548	-	282,548
Contracted diagnostic services	643,623	-	643,623	566,286	-	566,286
Occupancy costs	1,095,594	114,527	1,210,121	964,363	98,520	1,062,883
Equipment leases, repairs and maintenance	446,808	144,485	591,293	386,941	81,772	468,713
Direct patient support	115,942	-	115,942	130,991	-	130,991
Insurance	133,683	23,263	156,946	136,937	16,900	153,837
Printing, postage and publications	216,618	60,140	276,758	208,110	60,553	268,663
Travel, conferences and meetings	88,573	43,319	131,892	77,639	22,247	99,886
Depreciation and amortization	961,838	382,353	1,344,191	946,715	188,363	1,135,078
Other operating expenses	121,221	201,305	322,526	146,002	136,894	282,896
Interest	-	82,608	82,608	-	99,118	99,118
Bad debt expense	551,110	-	551,110	482,436	-	482,436
<b>Total Expenses</b>	<b>\$ 25,067,466</b>	<b>\$ 4,922,394</b>	<b>\$ 29,989,860</b>	<b>\$ 21,251,225</b>	<b>\$ 4,636,296</b>	<b>\$ 25,887,521</b>

## Erie Family Health Center, Inc.

Schedule of Operations by Federal Program  
Year Ended June 30, 2012

	Primary Health Care	HIV Health Services	Oral Health Services	Total
<b>Revenue</b>				
Department of Health and Human Services grants	\$ 5,721,286	\$ 409,049	\$ 553,818	\$ 6,684,153
Patient services	16,041,574	184,814	1,854,060	18,080,448
Contract services and other grants	6,178,267	280,012	135,021	6,593,300
Temporarily restricted grants	224,771	-	63,292	288,063
Contributions and other	485,950	53,747	156,588	696,285
Total Revenue	<u>28,651,848</u>	<u>927,622</u>	<u>2,762,779</u>	<u>32,342,249</u>
<b>Expenses</b>				
Salaries and benefits	20,853,490	590,217	1,317,235	22,760,942
Other operating expenses	3,784,795	317,146	1,149,068	5,251,009
Interest	82,608	-	-	82,608
Bad debt expense	470,451	37,471	43,188	551,110
Total Expenses	<u>25,191,344</u>	<u>944,834</u>	<u>2,509,491</u>	<u>28,645,669</u>
<b>Operating Income (Loss) Prior to Depreciation and Amortization</b>	3,460,504	(17,212)	253,288	3,696,580
<b>Depreciation and Amortization</b>	<u>1,185,764</u>	<u>8,235</u>	<u>150,192</u>	<u>1,344,191</u>
<b>Operating Income (Loss)</b>	2,274,740	(25,447)	103,096	2,352,389
<b>Capital Projects - Grants and contributions</b>	1,277,120	-	-	1,277,120
<b>Share of Alliance Loss</b>	<u>(15,851)</u>	<u>-</u>	<u>-</u>	<u>(15,851)</u>
<b>Change in Net Assets</b>	<u>\$ 3,536,009</u>	<u>\$ (25,447)</u>	<u>\$ 103,096</u>	<u>\$ 3,613,658</u>

## Erie Family Health Center, Inc.

Schedule of Operations by Federal Program  
Year Ended June 30, 2011

	Primary Health Care	HIV Health Services	Oral Health Services	Total
<b>Revenue</b>				
Department of Health and Human Services grants	\$ 4,208,527	\$ 414,312	\$ 505,279	\$ 5,128,118
Patient services	14,575,749	187,115	1,856,287	16,619,151
Contract services and other grants	4,459,813	369,803	94,598	4,924,214
Temporarily restricted grants	440,566	-	92,809	533,375
Contributions and other	382,927	-	114,370	497,297
Total Revenue	<u>24,067,582</u>	<u>971,230</u>	<u>2,663,343</u>	<u>27,702,155</u>
<b>Expenses</b>				
Salaries and benefits	17,801,292	480,739	1,437,459	19,719,490
Other operating expenses	3,072,039	393,731	985,629	4,451,399
Interest	99,118	-	-	99,118
Bad debt expense	462,487	356	19,593	482,436
Total Expenses	<u>21,434,936</u>	<u>874,826</u>	<u>2,442,681</u>	<u>24,752,443</u>
<b>Operating Income Prior to Depreciation and Amortization</b>	2,632,646	96,404	220,662	2,949,712
<b>Depreciation and Amortization</b>	<u>953,558</u>	<u>8,464</u>	<u>173,056</u>	<u>1,135,078</u>
<b>Operating Income</b>	1,679,088	87,940	47,606	1,814,634
<b>Capital Projects - Grants and contributions</b>	2,425,742	23,793	2,947	2,452,482
<b>Share of Alliance Earnings</b>	<u>147,235</u>	<u>-</u>	<u>-</u>	<u>147,235</u>
<b>Change in Net Assets</b>	<u>\$ 4,252,065</u>	<u>\$ 111,733</u>	<u>\$ 50,553</u>	<u>\$ 4,414,351</u>

**Independent Auditor's Report on Supplemental Grant Report**

Board of Directors  
Erie Family Health Center, Inc.  
Chicago, Illinois

We have audited the financial statements of **Erie Family Health Center, Inc.** as of and for the year ended June 30, 2012 and our report thereon dated December 18, 2012, which expressed an unqualified opinion on those financial statements, appears on pages one and two. Our audit was conducted for the purpose of forming an opinion on the 2012 financial statements as a whole. The "Grant Report" for the State of Illinois fiscal year ended June 30, 2012 on pages 27 and 28 is presented for the purpose of additional analysis, as required by the Illinois Department of Human Services, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2012 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, such information is fairly stated in all material respects in relation to the 2012 financial statements as a whole.

*Plante & Moran, PLLC*

December 18, 2012

ILLINOIS DEPARTMENT OF HUMAN SERVICES  
 GRANT REPORT For the period July 1 through June 30, 2012  
 Page 1 of 2-Grant allowable Cost Summary

AGENCY NAME: ERIE FAMILY HEALTH CENTER

FEIN:36-3088628

	DHS GRANT-FUNDED SERVICES							All other Programs	Mgmt & General	Total
	Program 1	Program 2	Program 3	Program 4	Program 6	Program 7	Program 8			
Program Name/Number/Contract Number/Other Identification	Teen Pregnancy Prevention Contract# Q11GQ01775	School Based / Linked Health Contract# Q11GQ01671	Healthy Families of Illinois Contract# Q11GQ01566	Healthy Start Contract# Q11GQ01302	Family Planning Services Contract# Q11GQ00173	Family Case Mgmt Contract# Q11GQ01074	Targeted Intensive Prenatal Contract# Q11GQ01026			
A Direct Program expenses	19,630	445,888	235,739	375,484	407,943	930,278	463,883	22,188,621	4,922,394	29,989,860
B Allocate Management and General Costs (Note 1)	None	None	None	None	None	None	None	4,922,394	(4,922,394)	-
C SUBTOTAL A + B	19,630	445,888	235,739	375,484	407,943	930,278	463,883	27,111,015	-	29,989,860
D Subtract Unallowable costs per page 2	None	None	None	None	None	None	None			
E Add other approved uses (attach documentation)	None	None	None	None	None	None	None			
F TOTAL Allowable costs	19,630	445,888	235,739	375,484	407,943	930,278	463,883			
G Special provisions (see instructions)	None	None	None	None	None	None	None			
H Interest Earned (see instructions)	None	None	None	None	None	None	None			

NOTE 1: Management and General costs are allocated based on : \_\_\_\_\_ direct salaries, \_\_\_\_\_ total direct costs,  X  other basis (attach explanation) \*

\* Allocation is based on program expense ratio



# UNALLOWABLE COST REPORT

Agency Name: Erie Family Health Center

FEIN: 36-3088628

Program Name/Number/Contract Number	DHS Grant-Funded Services				
	Program 1	Program 2	Program 3	Program 4	Program 5
	ALL				

Unallowable Costs (see instructions)

Compensation of Governing Body	NONE				
Entertainment	NONE				
Association Dues	NONE				
Meetings and Conventions	NONE				
Fundraising	NONE				
Bad Debt	NONE				
Charity and Grants	NONE				
Unallowable Interest	NONE				
Inventories	NONE				
Depreciation of DHS-funded Assets	NONE				
Cost of Production	NONE				
In-Kind Expenses	NONE				
Alcoholic Beverages	NONE				
Personal Automobile	NONE				
Fines and Penalties	NONE				
Personal Use Items	NONE				
Lobbying	NONE				
Unallowable Relocation	NONE				
Gratuities	NONE				
Political Contributions	NONE				
Related Party Transactions	NONE				
Costs Where a Conflict of Interest Exists	NONE				

Unallowable Cost if Program is Federally Funded or Cost Restricted by Contract (See Instructions)

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

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

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

Signature: *Kevin Greenberg* Date: Oct 23, 2012  
 Printed Name and Title: Kevin Greenberg, Vice President of Finance

Reset Form



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

Board of Directors  
Erie Family Health Center, Inc.  
Chicago, Illinois

We have audited the financial statements of **Erie Family Health Center, Inc.** as of and for the year ended June 30, 2012, and have issued our report thereon dated December 18, 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 **Erie Family Health Center, Inc.** is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered **Erie Family Health Center, Inc.'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 **Erie Family Health Center, Inc.'s** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **Erie Family Health Center, Inc.'s** internal control over financial reporting.

*A deficiency in internal controls* 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 timely basis.

Our consideration of the 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 **Erie Family Health Center, Inc.**'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*.

This report is intended solely for the information and use of the finance committee, board of directors, management, 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.

*Plante & Moran, PLLC*

December 18, 2012

**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  
Erie Family Health Center, Inc.  
Chicago, Illinois

**Compliance**

We have audited **Erie Family Health Center, Inc.**'s 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 **Erie Family Health Center, Inc.**'s major federal programs for the year ended June 30, 2012. **Erie Family Health Center, Inc.**'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 **Erie Family Health Center, Inc.**'s management. Our responsibility is to express an opinion on **Erie Family Health Center, Inc.**'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Erie Family Health Center, Inc.**'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 of **Erie Family Health Center, Inc.**'s compliance with those requirements.

In our opinion, **Erie Family Health Center, 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 year ended June 30, 2012.

## Internal Control Over Compliance

Management of **Erie Family Health Center, 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 audit, we considered **Erie Family Health Center, Inc.**'s internal control over compliance with 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 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 **Erie Family Health Center, 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 significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. *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 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 the finance committee, board of directors, management, 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.

*Plante & Moran, PLLC*

December 18, 2012

## Erie Family Health Center, Inc.

### Schedule of Expenditures of Federal Awards Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass- through Grantor's Number		Federal Expenditures
U.S. Department of Health and Human Services				
Direct Program				
Community Health Center Program	93.224	N/A	\$ 4,798,283	
Health Center Cluster	93.224	N/A	<u>24,673</u>	4,822,956
HIV Early Intervention with Respect to				
HIV Disease	93.918	N/A	399,047	
HIV Disease	93.918	N/A	<u>35,461</u>	434,508
Healthy Tomorrows Partnership for Children Program	93.110	N/A		51,087
ARRA - Community Health Applied Research Network	93.420	N/A	*	1,075,037
Pass-through Northwestern University:				
Faculty Development in Primary Care	93.884	D55HP23201		83,176
Affordable Care Act Teaching Health Center (THC) Graduate Medical Education (GME) Payment Program	93.530	T91HP21542	*	1,242,652
Center for Advancing Equity in Clinical Preventive Services	93.226	60030160 EFHC		33,592
Pass-through Chicago Department of Public Health:				
Ryan White Part A - Primary Care	93.914	23749		127,533
Maternal and Child Health Program/ WIC Program	10.557	25072		229,668
Pass-through Illinois Department of Public Health, AIDS Foundation of Chicago:				
Ryan White Part B -Medical Case Management	93.917	25780055	95,605	
Ryan White Part B -Mental Health Services	93.917	25780055	22,991	
Ryan White Part B -Outpatient/Ambulatory Health Serv	93.917	25780055	<u>36,253</u>	154,849
Pass-through Illinois Department of Human Services:				
Title X Family Planning Services	93.217	82592440C		81,117
Title XX Block Grant	93.667	824084400		122,858
Healthy Start Case Management	93.926	82592440D	*	373,280
MCH Block Grant	93.994	828724400		<u>109,710</u>
Total Expenditures of Federal Awards				<u><u>\$ 8,942,023</u></u>

\* indicates major program

## Erie Family Health Center, Inc.

Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Erie Family Health Center, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audit 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 presentation of, the basic financial statements.

### Note 2 - Loans Outstanding

None.

### Note 3 - Subrecipients

Of the federal expenditures presented in the schedule, the Center provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA</u>	<u>Federal Expenditures</u>
ARRA - Community Health Applied Research Network	93.420	<u>\$ 1,075,037</u>
Total Expenditures of Federal Awards		<u><u>\$ 1,075,037</u></u>

### Note 4 - Nonmonetary Assistance

The Center neither received nor disbursed federal awards in the form of nonmonetary assistance for the year ended June 30, 2012.

### Note 5 - Insurance Coverage

The Center had no federal insurance during the year ended June 30, 2012.

# Erie Family Health Center, Inc.

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

## Part I - Summary of Auditor's Results

### Financial Statement Section

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	None
Significant deficiency(ies) identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	None

### Federal Awards Section

Internal control over major programs:	
Material weakness(es) identified?	None
Significant deficiency(ies) identified not considered to be material weaknesses?	None reported
Type of auditor's report on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section.510(a) Circular A-133?	None

### Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.530	Affordable Care Act Teaching Health Center (THC)
93.420	Graduate Medical Education (GME) Payment Program ARRA-Community Health Applied Research Network
93.926	Healthy Start Case Management
Dollar threshold used to determine Type A programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

## **Erie Family Health Center, Inc.**

Schedule of Findings and Questioned Costs  
*Year Ended June 30, 2012*

### **Part II - Financial Statement Findings**

There were no current year findings.

### **Part III - Federal Award Findings and Questioned Costs**

There were no current year findings or questioned costs.

## **Erie Family Health Center, Inc.**

Schedule of Prior Year Findings  
*Year Ended June 30, 2012*

### **Prior Year Findings**

There were no findings or questioned costs in fiscal year 2011.