Audited Financial Statements

March 31, 2014

Family First Health

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FAMILY FIRST HEALTH

LIST OF REPORT DISTRIBUTION

March 31, 2014

Employer Identification Number: 23-7118262

1 Report -	Federal Audit Clearinghouse Bureau of Census 1201 E. 10th Street Jeffersonville, Indiana 47132 (Submitted electronically)
2 Reports -	Family Health Council of Central Pennsylvania Suite 200 3461 Market Street Camp Hill, Pennsylvania 17011-4441
1 Report -	WellSpan Health P. O. Box 2767 York, Pennsylvania 17401-2767 Attention: Leah Eckert
1 Report -	Wells Fargo Bank 100 North Queen Street, 1st Floor Lancaster, PA 17603 Attention: Hal Carney

Smith Elliott Kearns & Company, LLC
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Family First Health
York, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Family First Health (the Center), which comprise the balance sheets as of March 31, 2014 and 2013, and the related statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion of 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Family First Health

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of March 31, 2014 and 2013, and the results of its operations, changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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, as required by the *Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. In addition, the schedule of operations – nurse family partnership is also presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2014 on our consideration of the Center'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Smith Elliott Kearns & Company, LLC

Carlisle, Pennsylvania
July 18, 2104

FAMILY FIRST HEALTH

BALANCE SHEETS
March 31, 2014 and 2013

ASSETS	2014	2013
CURRENT ASSETS		
Cash	$ 52,180	$ 27,660
Investments	515,413	469,502
Accounts receivable - Patients (net of allowance for doubtful accounts of $ 291,003 for 2014 and $ 293,606 for 2013)	1,123,992	852,176
Estimated receivable under third-party agreements	1,093,371	1,150,531
Grants receivable	383,040	181,333
Other accounts receivable	154,812	58,311
Prepaid expenses	54,606	55,907
Total current assets	3,377,414	2,795,420
ASSETS LIMITED AS TO USE		
Debt service reserve	97,436	99,108
OTHER ASSETS		
Property and equipment, net	5,040,081	5,340,252
Total assets	$ 8,514,931	$ 8,234,780

LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Notes payable - Line of credit	$ 1,223,065	$ 751,634
Current maturities of long-term debt	165,006	160,428
Accounts payable	205,012	292,502
Accrued payroll and taxes	523,628	477,614
Accrued expenses	64,025	49,351
Deferred grant revenue	76,656	60,815
Total current liabilities	2,257,392	1,792,344
LONG-TERM LIABILITIES		
Long-term debt	3,128,419	3,292,329
Total liabilities	5,385,811	5,084,673
NET ASSETS		
Unrestricted - Undesignated	3,129,120	3,150,107
Total net assets	3,129,120	3,150,107
Total liabilities and net assets	$ 8,514,931	$ 8,234,780

The Notes to the Financial Statements are an integral part of these statements.

FAMILY FIRST HEALTH

STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
Years Ended March 31, 2014 and 2013

	2014	2013
Revenue, gains, and other support:		
Net patient service revenue	$ 5,286,875	$ 5,910,219
Provision for bad debts	(402,953)	(493,524)
Net patient service revenue less provision for bad debts	4,883,922	5,416,695
Premium revenue	2,869,673	2,537,242
Other service revenue	122,508	75,518
Other revenue:		
Federal grants	2,054,036	1,907,985
State grants	895,469	895,634
Local grants	463,685	407,157
Contributions	538,128	439,973
Rental income	102,073	107,111
Other income	442,548	327,983
Investment income	26,857	57,659
Total revenue, gains, and other support	12,398,899	12,172,957
Expenses:		
Salaries and benefits	8,724,397	8,810,012
Contracted services	538,773	675,233
Medical supplies and drugs	1,020,288	963,894
Insurance	23,647	22,723
Rental expense	161,122	155,289
Other operating expenses	1,433,801	1,417,485
Depreciation	420,808	434,145
Interest	117,468	130,925
Loss on disposal of fixed assets	3,349	-
Total expenses	12,443,653	12,609,706
Deficit of revenues over expenses	(44,754)	(436,749)
Unrealized gain (loss) on investments	23,767	(19,323)
Decrease in unrestricted net assets	(20,987)	(456,072)
Net assets, beginning of year	3,150,107	3,606,179
Net assets, end of year	$ 3,129,120	$ 3,150,107

The Notes to the Financial Statements are an integral part of these statements.

FAMILY FIRST HEALTH

STATEMENTS OF CASH FLOWS
Years Ended March 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ (20,987)	$ (456,072)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	420,808	434,145
Provision for bad debts	402,953	493,524
Realized and unrealized (gain) loss on investments	(39,784)	(16,538)
Loss on disposal of equipment	3,349	-
(Increase) decrease in:		
Patient accounts receivable	(674,769)	(483,618)
Grants receivable	(201,707)	(116,934)
Other receivables	(96,501)	(27,821)
Prepaid expenses	1,301	(18,576)
Estimated receivables under third-party agreements	57,160	(132,037)
Increase (decrease) in:		
Accounts payable	(87,489)	40,003
Accrued expenses	60,688	(57,889)
Deferred grant revenue	15,841	54,980
Total adjustments	(138,150)	169,239
Net cash used by operating activities	(159,137)	(286,833)
Cash flows from investing activities:		
Withdrawal from reserve funds	1,672	3,772
Purchase of investments and deposits to reserve funds	(58,333)	(63,631)
Proceeds from sale of investments	52,206	159,724
Purchase of property and equipment	(123,987)	(379,650)
Net cash used by investing activities	(128,442)	(279,785)
Cash flows from financing activities:		
Borrowings on line of credit, net	471,431	751,634
Payments on long-term debt	(159,332)	(224,039)
Net cash provided by financing activities	312,099	527,595
Net increase (decrease) in cash	24,520	(39,023)
Cash at beginning of year	27,660	66,683
Cash at end of year	$ 52,180	$ 27,660
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 117,468	$ 130,925

The Notes to the Financial Statements are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Nature of Operations

Family First Health (the Center) is a not-for-profit Federally Qualified Health Center network located in the city of York, Pennsylvania. Its primary direct grant funding comes from Community Health Centers (Title 330), Ryan White Early Intervention services monies, and United Way of York County. As a subcontractor, the Center receives funding from Ryan White B, HOPWA, and Nurse Family Partnership Program. The network consists of the following:

116 South George Street Site (Federally Qualified Health Center)

At this location the Center provides the following services: primary medical and dental care, pediatric care, immunizations, sexually transmitted disease testing and treatment, preventive care, routine health examinations, drivers' physical exam, referrals, HIV counseling and testing, reproductive health care, nutrition counseling and behavioral health. Its target population includes the uninsured and underinsured population in York County by reason of access, condition, payment source, or other factors creating a barrier to health care. It serves all ages and utilizes board certified physicians, certified registered nurse practitioners, physicians' assistants, and residency trained dentists. In addition, 116 South George Street has various service contracts with the York City Bureau of Health and Family Health Council of Central Pennsylvania.

Family First Health Social Services

The Social Service division provides case management services primarily for people infected with or affected by the HIV virus or AIDS. It serves clients at the Center's 116 South George Street site, as well as those using other community providers. Family First Health Social Services offers assistance with obtaining medical/dental services (including nursing, prescriptions, and hospice), enrollment in clinical trials, nutritional supplements and counseling (individual, couple, family, drug/alcohol, HIV, mental health), HIV testing, therapy sessions in English and Spanish, support group assistance, transportation, legal assistance, housing, rental assistance, food bank access and information, and behavioral health.

Hannah Penn Family Health Center (Federally Qualified Health Center)

The Hannah Penn Family Health Center is a school-based health center in the York City School District providing services to students and their families along with other community members. Its services include physicals, sick visits, health and wellness information, prevention and screenings, patient education, counseling, and referrals to other community services. It is funded by grants from York Hospital, York City School District, and Title 330.

Rural Centers (Federally Qualified Health Centers)

The Rural Centers, located in Lewisberry, Gettysburg, and Hanover, serve the uninsured and underinsured populations of York and Adams Counties. Their primary funding source is the Title 330 grant. They provide medical and dental services including immunizations, STD tests, and referrals. WellSpan provided funding for the Gettysburg medical and dental services.

Reclassifications

Certain reclassifications were made to the previously reported amounts for 2013 in order for them to be comparative to 2014.

Note 1. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to estimates of the allowance for doubtful accounts and amounts receivable or payable under third-party contractual agreements, which are based on historical collection rates and analysis of specific third-party receivables and prior cost report settlement information. Consequently, these estimates may change in the near term. The amount of the change that is reasonably possible cannot be determined.

Significant Accounting Policies are as follows:

Donor Restrictions

The Center reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations and changes in net assets as net assets released from restrictions. When long-lived assets are placed in service, thus satisfying purpose restrictions, the amount is included as a change in restricted and non-restricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

The Center reports gifts of equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the balance sheets. Unrealized gains and losses are included in the change in net assets.

Accounts Receivable – Patients

Accounts receivable – Patients, are written off when management determines, based upon prior experience, collection history, or contractual agreements, that an account is no longer collectible. Accounts that are over 30 days old are typically considered past due. Management does provide an allowance for doubtful accounts, which is based upon historical collection rates and analysis of specific third-party receivables.

Note 1. Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment is stated at cost. The Center capitalizes all property and equipment purchases greater than $ 5,000 with a life in excess of two years. Depreciation is provided on a straight-line basis based upon the estimated useful lives of the assets as follows:

Land improvements	8 - 20 years
Building	40 years
Office equipment	3 - 20 years
Medical and dental equipment	10 - 15 years

Net Assets

The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. A description of the three net asset categories follows:

Unrestricted: Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted: Net assets whose use by the Center is subject to donor-imposed restrictions that can be fulfilled by actions of the Center pursuant to those restrictions or that expires by the passage of time. No temporarily restricted assets were held at March 31, 2014 and 2013 and accordingly, these financial statements do not reflect any activity related to this class of net assets.

Permanently Restricted: Net assets subject to donor-imposed restrictions that are to be maintained permanently by the Center. No permanently restricted assets were held at March 31, 2014 and 2013 and accordingly, these financial statements do not reflect any activity related to this class of net assets.

Net Patient Service Revenue

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.

Premium Revenue

The Center has agreements with various Health Maintenance Organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, the Center receives monthly capitation payments based on the number of each HMO's participants, regardless of services actually performed. In addition, the HMO makes fee-for-service payments to the Center for certain covered services based upon discounted fee schedules.

Donations In-Kind

The Center recognizes the value of donated vaccines and other supplies as contribution revenue and medical supplies and drugs expense in the statements of operations and changes in net assets.

Note 1. Summary of Significant Accounting Policies (Continued)

Charity Care

The Center has a policy of providing charity care to patients who are unable to pay. Such patients are identified based on financial information obtained from the patient and subsequent analysis. The amount of their payment is determined using a reduced fee scale. Since the Center does not expect payment for the fees waived, estimated charges for charity care are not included in net patient service revenue. The Center provided approximately $ 2,365,141 and $ 3,446,680 of charity care for 2014 . and 2013, respectively, when measured at a ratio of costs to charges. Grant income received to offset the cost of charity care for the years ending March 31, 2014 and 2013 was $ 1,296,957 and $ 1,284,870, respectively.

Tax-Exempt Status

The Center is a nonprofit corporation organized under the provisions of the nonprofit laws of the Commonwealth of Pennsylvania. The Center is exempt from federal income tax under Section 501(C)(3) of the Internal Revenue Code, and is classified as a public charity.

Malpractice Insurance

The Center's health care professionals are covered by the Federal Tort Claims Act, and, therefore, no professional liability insurance is necessary. Pursuant to Section 224 of the Public Health Service (PHS) Act, 42 USC 233, the Federal Tort Claims Act covers alleged negligent medical care during the performance of official duties for Community Health Centers funded under Section 330 of the PHS Act. Under the Federal Tort Claims Act, the U. S. Government consents to be sued for any damage to property or for personal injury or death caused by the negligence or wrongful act or omission of Federal employees who were acting within the scope of their employment.

Statements of Cash Flows

Cash and cash equivalents include investments in highly-liquid debt instruments with an original maturity of three months or less.

Advertising

The Center follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was $ 16,084 and $ 14,144 for 2014 and 2013, respectively.

Uncertain Tax Positions

The Center follows the FASB Accounting Standards Codification, which provides guidance on accounting for uncertainty in income taxes recognized in an organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. As of March 31, 2014 and 2013 the Center had no uncertain tax positions that qualify for either recognition or disclosure in the Center's financial statements. The Center's policy is to recognize interest and penalties on unrecognized tax benefits in other operating expenses in the financial statements. For the years ended March 31, 2014 and 2013, respectively, there were no interest or penalties recorded in the financial statements. The tax years subsequent to 2010 are subject to review by federal, state, and local taxing authorities.

Note 2. Net Patient Service Revenue

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Revenue received under cost reimbursement agreements with Medicare is based upon the Center's cost per patient encounter. Interim Medicare rates are established and paid throughout the year with a final settlement determined after the Center files its annual cost report.

Medical Assistance is paid on a prospective payment system. The Center is paid a pre-established rate per visit for their medical and dental services.

The Center's patient service and premium revenue concentrations for the years ended March 31, 2014 and 2013 are as follows:

	2014	2013
Medicare	17%	17%
Medical Assistance	49%	53%
Commercial	18%	16%
Self-pay	16%	14%

The Center's major payor sources are Medicare, Medicaid, commercial insurance programs, and private pay individuals. Net patient service revenue, net of contractual and charity care allowance provided (but before the provision for bad debts), recognized in the statements of operations and changes in net assets for the years ended March 31, 2014 and 2013 from these major payor sources is as follows:

2014	Medicaid	Medicare	Commercial	Self-Pay	Total
Net patient service revenue	$ 2,575,293	$ 886,590	$ 959,695	$ 865,297	$ 5,286,875

2013	Medicaid	Medicare	Commercial	Self-Pay	Total
Net patient service revenue	$ 3,128,560	$ 1,008,869	$ 952,450	$ 820,340	$ 5,910,219

The change in the allowance for doubtful accounts for 2014 and 2013 is as follows:

	2014	2013
Allowance for doubtful accounts at April 1	$ 293,606	$ 285,939
Provision for bad debts	402,953	493,524
Write off of bad debts	(405,556)	(485,857)
Allowance for doubtful accounts at March 31	$ 291,003	$ 293,606

Note 3. Investments

The composition of investments at March 31 is set forth in the following schedule:

2014	%	Cost	Fair Value
Cash and cash equivalents	2	$ 8,263	$ 8,263
Mutual funds - Debt securities	38	197,447	196,144
Mutual funds - Equities	60	218,459	311,006
Total	100	$ 424,169	$ 515,413

2013	%	Cost	Fair Value
Cash and cash equivalents	1	$ 4,264	$ 4,264
Mutual funds - Debt securities	46	213,023	213,634
Mutual funds - Equities	53	184,737	251,604
Total	100	$ 402,024	$ 469,502

Investment income consists of the following:

	2014	2013
Interest and dividends	$ 10,840	$ 21,798
Realized gain on investments	16,017	35,861
	$ 26,857	$ 57,659

Note 4. Assets Limited As To Use

Debt Service Reserve

The Center is required to maintain a reserve fund to cover one year's debt service on the PNC Bank loans.

These reserve accounts consist of the following investment types as of March 31:

2014	Cost	Fair Value
Cash and cash equivalents	$ 97,436	$ 97,436

2013	Cost	Fair Value
Cash and cash equivalents	$ 99,108	$ 99,108

Note 5. Property and Equipment

Asset Description		2014		2013
Land	$	150,000	$	150,000
Land improvements		8,950		8,950
Building		6,261,017		6,154,948
Office equipment		1,090,520		1,090,520
Medical and dental equipment		807,477		846,332
		8,317,964		8,250,750
Less accumulated depreciation		(3,277,883)		(2,910,498)
Property and equipment, net	$	5,040,081	$	5,340,252

Depreciation expense for 2014 and 2013 was $ 420,808 and $ 434,145, respectively.

Note 6. Operating Lease Commitments

Leases that do not meet the criteria for capitalization are classified as operating leases, with rental expense charged to operations as incurred.

As of March 31, 2014 and 2013, the Center had entered into various operating lease agreements for its office facilities and parking spaces, expiring from April 2011 to December 2019.

Minimum annual rentals are as follows for the years ending March 31:

2015	$	82,968
2016	$	85,457
2017	$	88,021
2018	$	90,661
2019	$	69,514

Total rent expense under operating leases was $ 161,122 and $ 155,289 for the years ended March 31, 2014 and 2013, respectively.

Note 7. Rental Income

The Center subleases space at the 116 South George Street location to WellSpan Healthcare Services for the purpose of operating a public pharmacy. The terms of the lease include a period of 10 years and initial monthly rent of $ 3,245 plus utility costs. Rent is to increase 3% annually.

Minimum annual rentals are as follows for the year ending March 31:

2015	$	43,820
2016	$	45,135
2017	$	46,489
2018	$	47,884
2019	$	49,320

Note 8. Notes Payable and Long-Term Debt

2014	Collateral	Interest Rate	Notes Payable	Long-Term Debt Current	Long-Term Debt Non-Current
Line of credit ($ 300,000), PNC Bank, due on demand and renews on February 2 of each year.	All assets	3.25% (Variable)	$ 299,510	$ -	$ -
Note payable, PNC Bank, due November 2023, monthly payments of $ 4,114 (lesser of Prime Rate as published by the Wall Street Journal or the lenders' offered rate).	Real estate Carrying value $ 377,247	2.32% (Variable)	-	29,810	386,661
Note payable, PNC, due August 2015, monthly payments of $ 3,995 based on a 15 year amortization schedule.	Real estate and improvements Carrying value $ 1,059,006	4.5% (Fixed)	-	39,832	389,709
Line of credit ($ 1,500,000), Wells Fargo Bank, due on demand and renews on December 19 of each year.	Real estate and improvements Carrying value $ 2,792,347	3.0% (Variable)	923,555	-	-
Note payable, Wells Fargo Bank, due December 2032, monthly payments of $ 12,675 based on a 20 year amortization schedule.	Real estate and improvements Carrying value $ 2,792,347	2.36% (Fixed)	-	95,364	2,352,049
			$ 1,223,065	$ 165,006	$ 3,128,419

2013	Collateral	Interest Rate	Notes Payable	Long-Term Debt Current	Long-Term Debt Non-Current
Line of credit ($ 300,000), PNC Bank, due on demand and renews on February 2 of each year.	All assets	3.25% (Variable)	$ 186,786	$ -	$ -
Note payable, PNC Bank, due November 2023, monthly payments of $ 4,114 (lesser of Prime Rate as published by the Wall Street Journal or the lenders' offered rate).	Real estate Carrying value $ 377,247	2.32% (Variable)	-	28,513	416,193
Note payable, PNC, due August 2015, monthly payments of $ 3,995 based on a 15 year amortization schedule.	Real estate and improvements Carrying value $ 1,059,006	4.5% (Fixed)	-	38,924	429,394
Line of credit ($ 1,500,000), Wells Fargo Bank, due on demand and renews on December 19 of each year.	Real estate and improvements Carrying value $ 2,792,347	3.0% (Variable)	564,848	-	-
payments of $ 12,675 based on a 20 year amortization schedule. Refer to *Refinancing of Sovereign Bank Debt*.	Real estate and improvements Carrying value $ 2,792,347	2.36% (Fixed)	-	92,991	2,446,742
			$ 751,634	$ 160,428	$ 3,292,329

The interest rate on the PNC Bank line of credit is the Prime Rate. The interest rate on the Wells Fargo Bank line of credit is LIBOR + 2.75% with a floor of 3%

Note 8. Notes Payable and Long-Term Debt (Continued)

The future principal payments on long-term debt for each of the next five years and thereafter are as follows:

2015	$	165,006
2016		517,602
2017		131,820
2018		126,836
2019		139,556
Thereafter		2,212,605
Total	$	3,293,425

The loans with Wells Fargo Bank carry certain debt covenants, such as maintaining a debt coverage ratio of 1.25 to 1.0, or greater, and a current ratio of 1.6 to 1.0, or greater. The Center did not meet its debt coverage ratio for the year ended March 31, 2014. Wells Fargo Bank has granted the Center a waiver of this covenant for 2014.

The Wells Fargo Bank note payable does have prepayment penalties should the debt be refinanced prior to November 2015.

The loan with PNC Bank also contains a covenant requiring funding of a reserve account, which was adequately funded as of March 31, 2014.

Total interest expense was $ 117,468 and $ 130,925 for the years ended March 31, 2014 and 2013, respectively.

Note 9. Concentrations of Credit Risk

The Center maintains its funds at several financial institutions. During the course of the year, these funds may periodically exceed limits insured by the Federal Deposit Insurance Corporation. Management considers this to be a normal business risk.

Note 10. Economic Dependency

The Center received 32% and 30% of its total revenue, gains, and support from various grant programs administered by federal, state, and local governmental and private sources (contributions) for the years ended March 31, 2014 and 2013, respectively.

Note 11. Functional Expenses

Functional expense allocations for the years ended March 31 were as follows:

2014	Total	Program Activities	General and Administration
Salaries and benefits	$ 8,724,397	7,532,461	$ 1,191,936
Contracted services	538,773	465,794	72,979
Medical supplies and drugs	1,020,288	1,019,762	526
Insurance	23,647	16,589	7,058
Rental expense	161,122	157,540	3,582
Other operating expenses	1,433,801	1,167,125	266,676
Depreciation	420,808	369,611	51,197
Interest	117,468	90,398	27,070
Loss on disposal of fixed assets	3,349	3,349	-
Total expenses	$ 12,443,653	$ 10,822,629	$ 1,621,024

2013	Total	Program Activities	General and Administration
Salaries and benefits	$ 8,810,012	$ 7,712,139	$ 1,097,873
Contracted services	675,233	593,817	81,416
Medical supplies and drugs	963,894	963,844	50
Insurance	22,723	16,083	6,640
Rental expense	155,289	151,151	4,138
Other operating expenses	1,417,485	1,138,969	278,516
Depreciation	434,145	382,058	52,087
Interest	130,925	115,008	15,917
Total expenses	$ 12,609,706	$ 11,073,069	$ 1,536,637

Note 12. Fair Value Measurements

Generally accepted accounting principles define fair value, describe a framework for measuring fair value, and require disclosure about fair value measurements. The established framework includes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (level 3). If the inputs used to measure the assets and liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability. Classification of assets and liabilities within the hierarchy considers the markets in which the assets are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy and those investments included in each are as follows:

Note 12. Fair Value Measurements (Continued)

Level 1 – Represented by quoted prices available in an active market. Level 1 securities include highly liquid government bonds, treasury securities, mortgage products, and exchange traded equities.

Level 2 – Represented by assets and liabilities similar to Level 1 where quoted prices are not available, but are observable, either directly or indirectly through corroboration with observable market data, such as quoted prices for similar securities and quoted prices in inactive markets and estimated using pricing models or discounted cash flows. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions, certain corporate and asset backed securities, and mutual funds traded at net asset value.

Level 3 – Represented by financial instruments where there is limited activity or unobservable market prices and pricing models significant to determining the fair value measurement include the reporting entity's own assumptions about the market risk. Level 3 securities would include hedge funds, private equity securities, and internally developed values.

The Center has no liabilities measured at fair value. The fair values of the Center's assets measured on a recurring basis as of March 31, 2014 and 2013 are as follows:

	Fair Value	2014 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds - Bond funds	$ 196,144	$ -	$ 196,144	$ -
Mutual funds - Equities	311,006	-	311,006	-
	$ 507,150	$ -	$ 507,150	$ -

	Fair Value	2013 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds - Bond funds	$ 213,634	$ -	$ 213,634	$ -
Mutual funds - Equities	251,604	-	251,604	-
	$ 465,238	$ -	$ 465,238	$ -

Note 13. Subsequent Events

The Center has evaluated events and transactions subsequent to March 31, 2014 through July 18, 2014, the date these financial statements were available to be issued. Based on the definitions and requirements of generally accepted accounting principles, management has not identified any events that have occurred subsequent to March 31, 2014 and through July 18, 2014, that require recognition or disclosure in the financial statements.

SCHEDULE OF OPERATIONS – NURSE FAMILY PARTNERSHIP
Year Ended March 31, 2014

	Actual	DPW
REVENUE		
DPW	$ 336,047	$ 362,980
10% Required Match	33,605	36,107
Community Funds	23,265	-
Medical Assistance Fee for Service	32,494	-
Total revenue	425,411	399,087
EXPENSES		
Salaries/Wages	217,626	282,057
Benefits	44,133	59,224
Total personnel expenses	261,759	341,281
Occupancy	15,317	19,191
Communications	1,022	1,375
Administrative Supplies	865	325
Transportation	5,326	9,267
Purchased Services	18,684	7,210
Other Operating Costs:		
Indirect Cost	56,502	15,089
Insurance	780	769
Audit	1,750	1,834
Billing	3,928	-
Meetings	174	-
Postage	239	-
Printing/Publications	305	-
Recruitment	4,695	
Telephone Directory	124	-
Training	3,530	2,746
Client Related Supplies	2,083	-
Total operating expenses	115,324	57,806
Total expenses	377,083	399,087
Excess of revenue over expenses	$ 48,328	$ -

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended March 31, 2014

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Passed through from Family Health Council of Central Pennsylvania, Inc.			
Housing Opportunities for People with Aids (HOPWA) (07/01/2013 - 03/31/2014)	14.241	SAP 4100055223	$ 14,481
Total U.S. Department of Housing and Urban Development			14,481
U.S. Department of Health and Human Services			
Health Centers Cluster:			
Community Health Centers	93.224	6 H80 CS 00529-11-01	1,296,957
Health Center Outreach and Enrollment Assistance	93.527	6 H80 CS 00529-11-01	151,030
Patient Centered Medical Home and Cervical Cancer	93.527	6 H80 CS 00529-11-01	15,834
			1,463,821
Ryan White, Early Intervention Services (04/01/2013 - 06/30/2013)	93.918	6 H76 HA 00072-21-01	51,031
Ryan White, Early Intervention Services (07/01/2013 - 03/31/2014)	93.918	6 H76 HA 00072-22-03	539,184
			590,215
Passed through from Pennsylvania Office of Child Development and Early Learning			
Maternal, Infant, and Early Childhood Home Visiting Grant	93.505	SAP 4100061054	245,988
Passed through from Family Health Council of Central Pennsylvania, Inc.			
HIV Care Formula Grant (04/01/2013-06/30/2013)	93.917	SAP 4100055223	71,968
HIV Care Formula Grant (07/01/2013-03/31/2014)	93.917	SAP 4100055223	212,401
			284,369
Passed through from Milton S. Hershey Medical Center			
HIV Testing	93.943	1U62PS003222-01-FFC	7,612
Total U.S. Department of Health and Human Services			2,592,005
Total Federal Awards			$ 2,606,486

These Notes to Schedule of Expenditures of Federal Awards is an integral part to this statement.

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Family First Health 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.

Note 2. Reconciliation of Federal Expenditures and Revenue

Federal grants	$ 2,054,036
State pass-through grants	544,838
Local pass-through grants	7,612
Total federal expenditures	$ 2,606,486

Smith Elliott Kearns & Company, LLC
Certified Public Accountants & Consultants

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
Family First Health
York, Pennsylvania

We have audited, in accordance with the 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, the financial statements of Family First Health (the Center), which comprise the balance sheets as of March 31, 2014 and 2013, and the related statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated July 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Family First Health

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center'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 of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Smith Elliott Kearns & Company, LLC

Carlisle, Pennsylvania
July 18, 2014

Smith Elliott Kearns & Company, LLC
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors
Family First Health
York, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Family First Health's (the Center) 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 the Center's major federal programs for the year ended March 31, 2014. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on Each Major Federal Program

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2014.

Board of Directors
Family First Health

Report on Internal Control Over Compliance

Management of The Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but 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 Center's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

The Center's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Smith Elliott Hearn & Company, LLC

Carlisle, Pennsylvania
July 18, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended March 31, 2014

Section I – Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Family First Health.
2. No material weaknesses were disclosed during the audit of the financial statements of Family First Health.
3. No instances of noncompliance material to the financial statements of Family First Health were disclosed during the audit.
4. No material weaknesses were disclosed during the audit of the major federal award programs for Family First Health.
5. The auditor's report on compliance for the major federal award programs for Family First Health expresses an unmodified opinion.
6. The audit findings relative to the major federal award programs for Family First Health are reported in Section III of this Schedule.
7. The programs tested as a major program were:

   Community Health Centers Program (CFDA Number 93.224)

   Health Center Outreach and Enrollment Assistance (CFDA Number 93.527)

   Patient Centered Medical Home and Cervical Cancer (CFDA Number 93.527)

   Ryan White Early Intervention Services (CFDA Number 93.918)
8. The threshold for distinguishing Types A and B programs was $ 300,000.
9. Family First Health was determined to be a low-risk auditee.

Section II – Financial Statement Findings

A. Significant Deficiency or Material Weaknesses in Internal Control

   None noted

B. Compliance Findings

   There were no compliance findings relating to the financial statement audit required to be reported.

Section III – Federal Award Findings and Questioned Costs

A. Significant Deficiencies in Internal Control

Finding Reference:	**2014-001 – Program Income**
Federal Agency:	**U.S. Department of Health and Human Services**
Federal Program:	**Early Intervention Services CFDA 93.918**
Compliance Requirement:	**Program Income**

Type of Finding:	**Significant Deficiency in Internal Control over Compliance and Noncompliance**
Condition:	The Organization did not properly apply reduced fees to services rendered to patients in the Early Intervention Services program. During our testing of 40 individual transactions we noted four circumstances of improper discounts applied to the patient account.
Criteria:	Recipients of federal awards under the Early Intervention Services program are required to charge patients on an income based sliding fee scale and specifically under the Early Interventions Service program patients under 100% of the federal poverty level are to be provided health services at no charge.
Cause:	At the time of service, Early Intervention Services patients who should not have been charged were charged an amount based on the Center's sliding fee schedule for the Community Health Centers (CHC) grant. This resulted from the data indicating these patients were eligible for the 100% discount, not being transferred from the former information system.
Effect:	The amounts charged to patients under the Early Intervention Services program was not in compliance with Federal requirements.
Questioned costs:	There are no questioned costs as a result of this finding.
Recommendation:	We recommend the Organization ensure the amounts charged to patients meet the requirements of the Federal programs.
Auditee response:	Family First Health migrated electronic health record and practice management systems in November 2013, the Early Intervention Services program reduced fee information was not transferred in the migration. Because that data field did not transfer the Early Intervention Services patients with incomes at or below 100% of poverty were not identified in the new system and therefore were not given the 100% reduced fee required by the Early Intervention Services program. These patients were given the CHC approved reduced fee discount for patients at or below 100% of poverty. Once this situation was discovered in May 2014 it was immediately corrected so the Early Intervention patients can easily be identified in the system and the correct reduced fee is automatically applied.

STATUS OF PRIOR AUDIT FINDINGS
March 31, 2014

None noted in 2013.

Smith Elliott Kearns & Company, LLC
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT
NURSE FAMILY PARTNERSHIP COMPLIANCE

Board of Directors
Family First Health
York, Pennsylvania

We have examined Family First Health's compliance with the requirements of the Nurse Family Partnership grant by determining that a statement of operations was prepared reporting the revenues and expenses of this program, that client information is entered into the clinical information system in a timely manner, and inquired whether the policy for home visits is being followed during the year ended March 31, 2014. Management is responsible for Family First Health's compliance with those requirements. Our responsibility is to express an opinion on Family First Health's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining on a test basis, evidence about Family First Health's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Family First Health's compliance with the specified requirements.

In our opinion, Family First Health complied with the aforementioned requirements for the year ended March 31, 2014.

This report is intended solely for the information and use of Family First Health and the Pennsylvania Department of Public Welfare and is not intended to be and should not be used by anyone other than these specified parties.

Smith Elliott Kearns & Company, LLC

Carlisle, Pennsylvania
July 18, 2014

Smith Elliott Kearns & Company, LLC
Certified Public Accountants & Consultants

Board of Directors
Family First Health
York, Pennsylvania

We have completed our audit of the financial statements of Family First Health (the Center) for the year ended March 31, 2014 and have issued our report thereon dated July 18, 2014.

We believe that part of our responsibility, as your independent certified public accountants, is to bring to your attention our observations and suggestions, which we believe are opportunities for strengthening internal controls, improving operating efficiency, and assisting you in managing the growth of the Center. The comments and suggestions which follow cover matters that came to our attention during our recent audit that we believe merit your consideration.

Accounts Receivable and Cash Flow

During our current year testing we noted the days in patients' accounts receivable increased from 39 days at March 31, 2013 to 53 days at March 31, 2014. This calculation includes net patient service revenue and premium revenue in the denominator. An upward trend indicates decreased cash flows. A decrease in days is the desired trend resulting in increased cash flow.

The importance of timely billing and collection of charges for any health care entity cannot be overemphasized. We believe the Board of Directors and management of the Center should continue to monitor this trend, while looking for additional ways to speed up billing and collections.

Loan Covenants – Wells Fargo Bank

The loans with Wells Fargo Bank contain various financial covenants the Center must satisfy. The Center is required to maintain a minimum debt service coverage ratio (net operating income divided by total debt service) of 1.25:1 or greater, and a current ratio (current assets divided by current liabilities) of 1.6:1 or greater. During the year ended March 31, 2014, the Center failed to meet the current ratio requirement with a ratio of 1.5:1, but did meet the debt service coverage ratio requirement with a ratio of 1.78:1.

Wells Fargo Bank has issued a waiver to avoid default on the loan. We encourage management and the Board to continue monitoring these ratios closely, and discuss improving the results of operations so as to meet this covenant in the future.

Whistleblower Policy

Currently, the Center does not maintain a formal whistleblower policy. Under the Sarbanes-Oxley Act of 2002, there are two provisions for non-profit organizations which are considered best practices:

1. All non-profits must have a document destruction policy (Currently in place), and
2. All non-profits must have a whistleblower policy (No formal policy in place).

Board of Directors
Family First Health

We recommend that the Center implement a formal whistleblower policy.

New Medicare Prospective Payment System

On May 2, 2014, CMS issued final regulations to implement a prospective payment reimbursement methodology for Federally Qualified Health Centers. Federally Qualified Health Centers are currently reimbursed based on costs.

The new system will establish a universal rate of $ 158.85 per beneficiary per day and incorporate a Geographic Adjustment Factor for location. The adjustment factor for areas of Pennsylvania outside Philadelphia is .962. As a result the rate for fiscal year end March 31, 2016, which would be the first fiscal year this applies, would be $ 152.81 ($ 158.85 x .962). The upper limit is currently $ 128.00 for urban health centers.

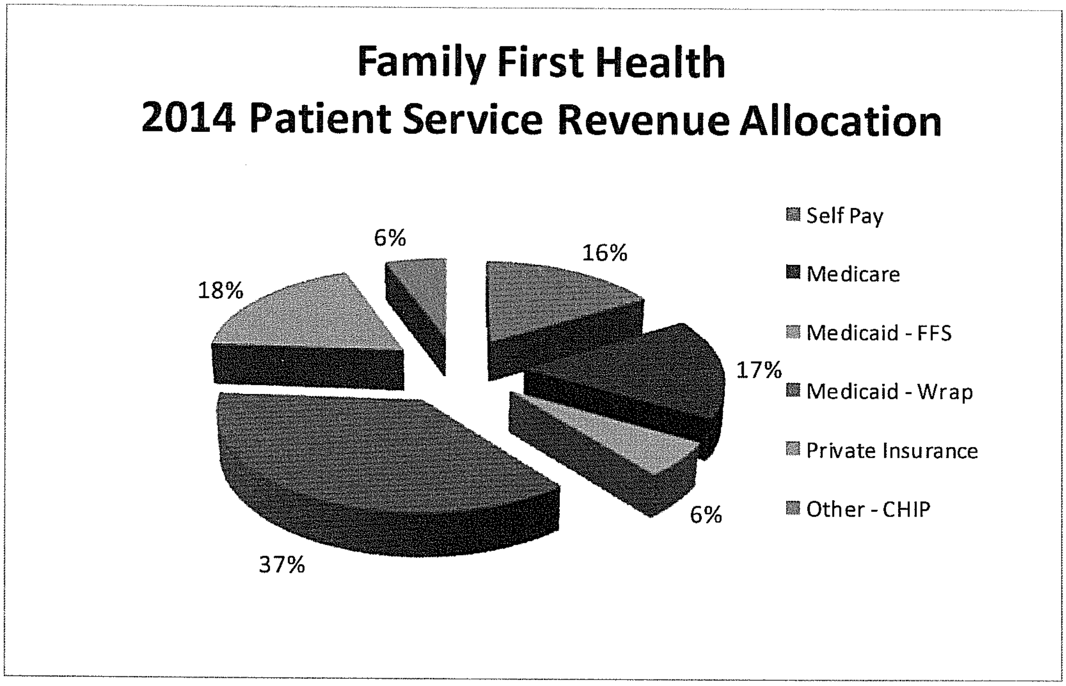
In order to maximize reimbursement, the Center will need to develop a charge for the bundled services the current all-inclusive Medicare rate covers. The Center will be reimbursed the lower of the Center's charge for similar services or the Medicare rate. In addition, the Center will be still be required to file annual cost reports, as bad debts and vaccinations will be reimbursed based on the cost report submitted.

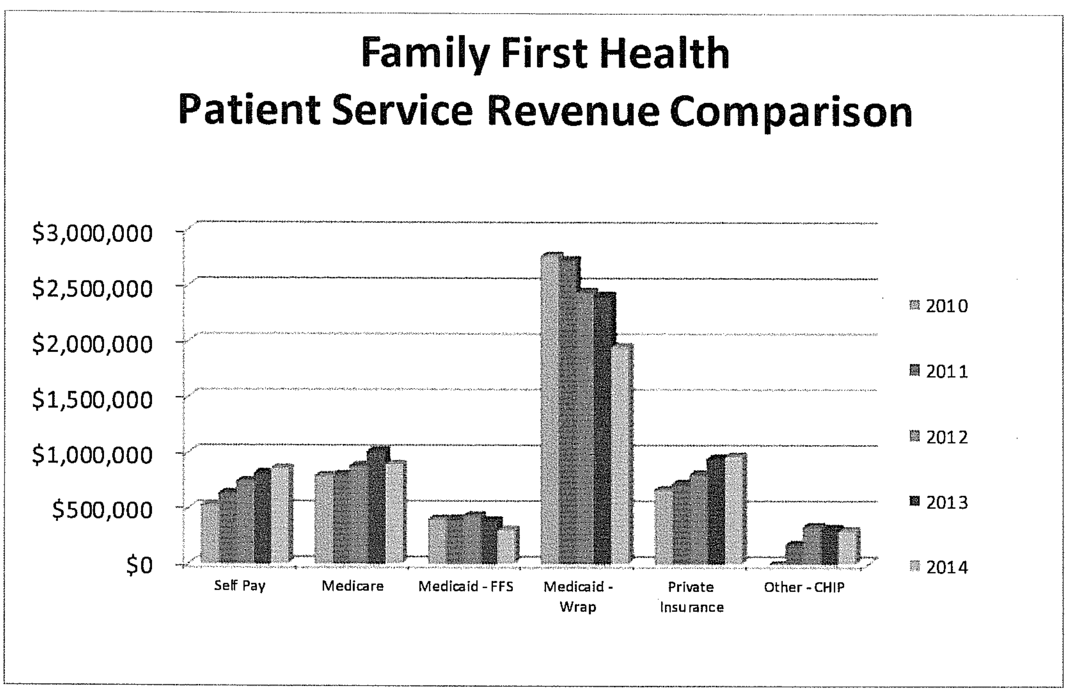
The Center should start to develop an all-inclusive rate and obtain education related to the change in reimbursement.

Board of Directors
Family First Health

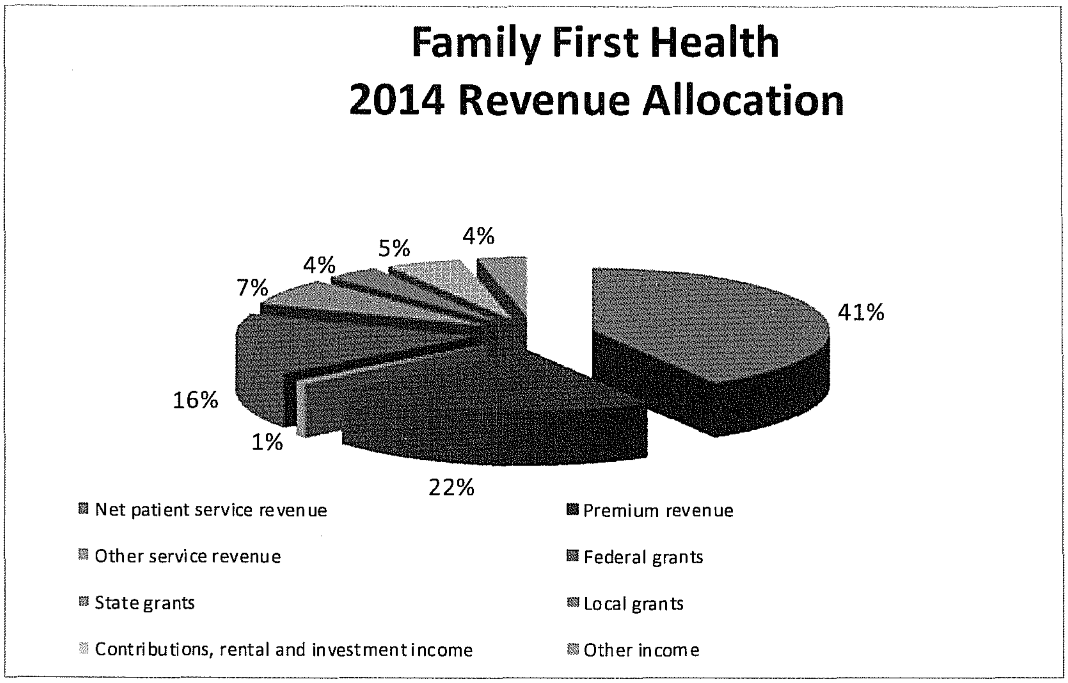
Graphical Analysis

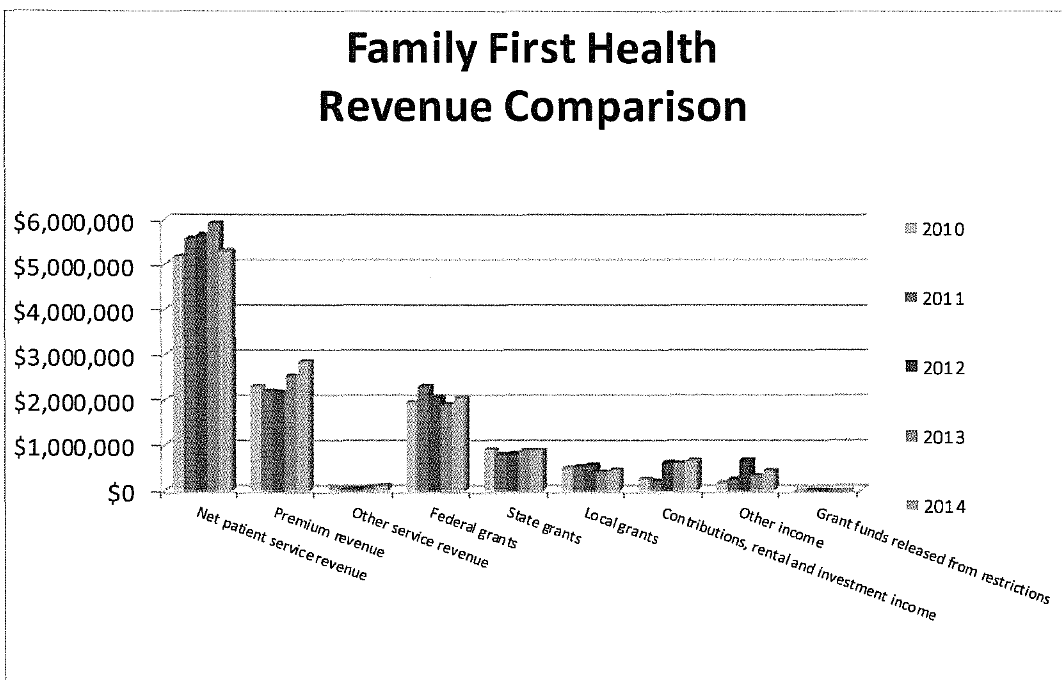
We have provided the following graphs which may assist you in your financial analysis.



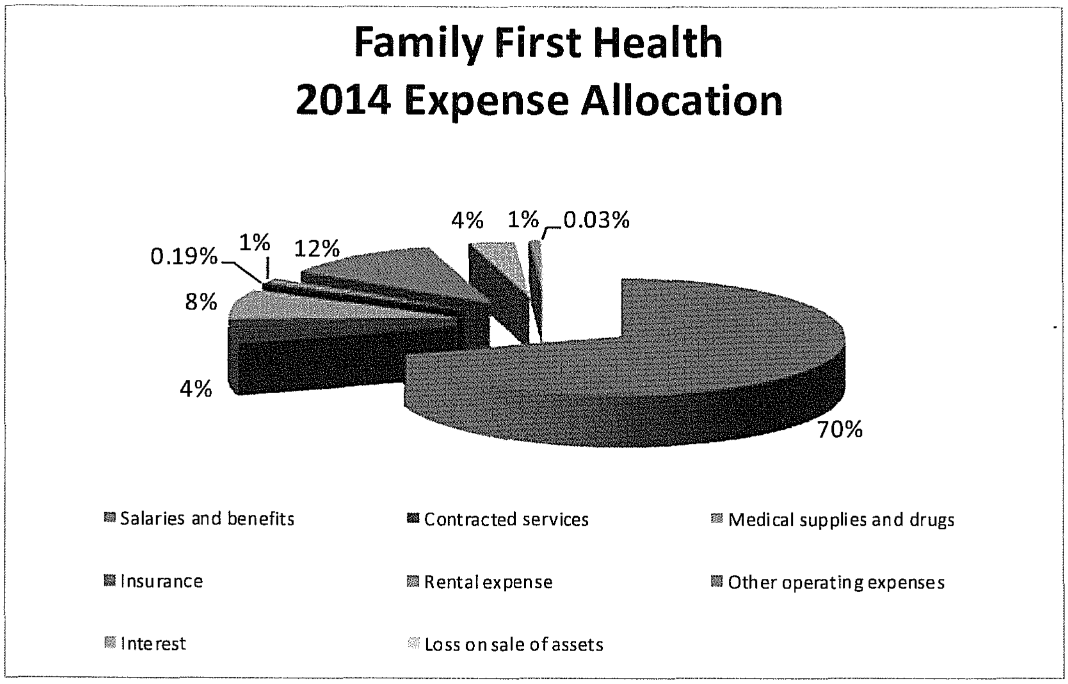


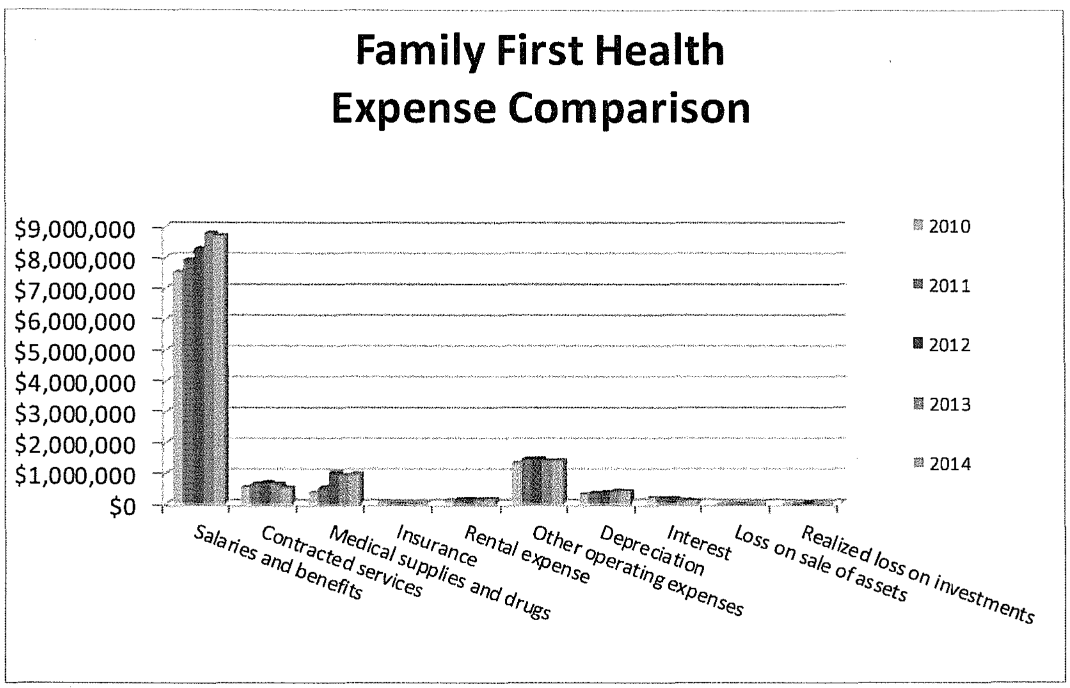
Board of Directors
Family First Health





Board of Directors
Family First Health





Board of Directors
Family First Health

Conclusion

This communication is intended solely for the information and use of management, the board of directors and others within the Center, and is not intended to be, and should not be used by anyone other than these specified parties.

We acknowledge and appreciate the courtesy and assistance extended to our representatives by the Center during our audit. The above comments and suggestions are made because we are interested in the continued success of Family First Health. We will be pleased to further discuss these comments and recommendations at your convenience.

Smith Elliott Kearns & Company, LLC

George Street Center
116 South George Street
York, PA 17401
717-845-8617

Administrative Office
717-846-5846

Social & Support Services
717-846-6776

Hannah Penn Center
415 E. Boundary Avenue
York, PA 17403
717-843-5174

Lewisberry Center
308 Market Street
Lewisberry, PA 17339
717-938-6695

Hanover Center
1230 High Street
Hanover, PA 17331
717-632-9052

Gettysburg Center
1275 York Road, Suite 17
Gettysburg, PA 17325
717-337-9400

Corrective Action Plan

August 18, 2014

Department of Health and Human Services

Family First Health respectfully submits the following corrective action plan for the year ended March 31, 2014.

Name and address of independent public accounting Firm:

Smith Elliott Kearns & Company, LLC
19 Brookwood Avenue, Suite 101
Carlisle, PA 17015

Audit Period:

Year ended March 31, 2014

The findings from the March 31, 2014 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Federal Award Findings and Questioned Costs

A. Significant Deficiencies in Internal Control

Finding Reference:	**2014-001 – Program Income**
Federal Agency:	**U.S. Department of Health and Human Services**
Federal Program:	**Early Intervention Services CFDA 93.918**
Compliance Requirement:	**Program Income**
Type of Finding:	**Significant Deficiency in Internal Control over Compliance and Noncompliance**

Recommendation: We recommend the Organization ensure the amounts charged to patients meet the requirements of the Federal programs.

Corrective Action: Family First Health migrated electronic health record and practice management systems in November 2013, the Early Intervention Services program reduced fee information was not transferred in the migration. Because that data field did not transfer the Early Intervention Services patients with incomes at or below 100% of poverty were not identified in the new system and therefore were not given the 100% reduced fee required by the Early Intervention Services program. These patients were given the CHC approved reduced fee discount for patients at or below 100% of poverty. Once this situation was discovered in May 2014 it was immediately corrected so the Early Intervention patients can easily be identified in the system and the correct reduced fee is automatically applied.

If the Department of Health and Human Services has questions regarding this plan, please call Jennifer Englerth at 717-846-5846

Sincerely,
Family First Health

Jennifer Englerth,
Chief Executive Officer