The Family Medicine Residency of Idaho, Inc.

Financial Statements and
Independent Auditors' Reports

June 30, 2014 and 2013

DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Family Medicine Residency of Idaho, Inc.
Boise, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of The Family Medicine Residency of Idaho, Inc. (a nonprofit organization) (the Residency), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 auditors consider internal control relevant to the entity'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 entity'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Residency as of June 30, 2014 and 2013, and the 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2014, on our consideration of the Residency'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 for the year ended June 30, 2014. We issued a similar report for the year ended June 30, 2013, dated October 24, 2013, which has not been included with the 2014 financial and compliance report. The purpose of those reports 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. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Residency's internal control over financial reporting and compliance.

Dingus, Zarecor and Associates PLLC

Spokane Valley, Washington
November 12, 2014

The Family Medicine Residency of Idaho, Inc.
Statements of Financial Position
June 30, 2014 and 2013

ASSETS		**2014**		**2013**
Current assets				
Cash and cash equivalents	**$**	**1,993,425**	$	2,514,309
Receivables:				
Patients, net of estimated uncollectibles of approximately $395,000 and $495,000, respectively		**1,589,083**		1,557,946
Grants		**480,672**		121,290
Other		**224,626**		144,027
Inventories		**77,074**		21,496
Prepaids and other		**311,520**		212,682
Total current assets		**4,676,400**		4,571,750
Other assets				
Resident Educational Stipend Fund		**5,000**		5,000
Beneficial interest in assets held by Idaho Community Foundation		**10,000**		10,000
Total other assets		**15,000**		15,000
Property and equipment, net		**791,884**		909,694
Total assets	**$**	**5,483,284**	$	5,496,444
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	**$**	**276,367**	$	501,470
Accrued compensation and related liabilities		**451,167**		461,856
Accrued vacation		**446,512**		403,596
Current portion of capital lease obligations		**30,492**		123,098
Deferred grant revenue		**54,556**		55,860
Total current liabilities		**1,259,094**		1,545,880
Capital lease obligations, net of current portion		**-**		30,492
Total liabilities		**1,259,094**		1,576,372
Net assets				
Unrestricted		**4,167,141**		3,899,390
Temporarily restricted		**42,049**		5,682
Permanently restricted		**15,000**		15,000
Total net assets		**4,224,190**		3,920,072
Total liabilities and net assets	**$**	**5,483,284**	$	5,496,444

See accompanying notes to financial statements.

The Family Medicine Residency of Idaho, Inc.
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2014 and 2013

	2014	2013
Unrestricted revenues, gains, and other support		
Net patient services (net of contractual adjustments and discounts)	**$ 11,064,945**	$ 9,401,412
Provision for bad debts	**(1,063,166)**	(911,599)
Net patient service revenue less provision for bad debts	**10,001,779**	8,489,813
Electronic health records incentive	**833,000**	1,508,750
Case management fees	**773,550**	625,544
Contributions for residency program	**4,668,154**	4,807,814
Grants	**4,095,279**	3,184,114
Contributions	**61,232**	297,967
Interest income	**2,027**	(14,746)
Other	**40,539**	103,245
Total unrestricted revenues, gains, and other support	**20,475,560**	19,002,501
Expenses		
Salaries and wages	**12,215,031**	11,485,063
Employee benefits	**2,430,622**	2,263,273
Contract services	**1,297,434**	1,271,582
Professional fees	**104,294**	139,168
Medical supplies	**314,829**	352,550
Laboratory purchased services and pharmaceuticals	**972,668**	457,450
Other supplies	**285,672**	353,395
Repairs and maintenance	**227,453**	103,103
Utilities	**155,661**	151,455
Insurance	**274,897**	259,924
Depreciation and amortization	**199,802**	124,053
Rents and leases	**925,508**	830,194
Grant subrecipient distribution	**35,801**	32,616
Interest	**2,325**	5,051
Other	**765,812**	755,840
Total expenses	**20,207,809**	18,584,717
Change in unrestricted net assets	**267,751**	417,784
Temporarily restricted net assets		
Contributions	**36,191**	-
Interest income	**176**	170
Change in temporarily restricted net assets	**36,367**	170
Change in net assets	**304,118**	417,954
Net assets, beginning of year	**3,920,072**	3,502,118
Net assets, end of year	**$ 4,224,190**	$ 3,920,072

See accompanying notes to financial statements.

The Family Medicine Residency of Idaho, Inc.
Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities		
Cash received from patient services	**$ 9,970,642**	$ 8,989,419
Cash received from contributions for residency program	**3,947,627**	4,387,044
Cash received from electronic health records incentive	**833,000**	1,508,750
Cash received from case management fees	**773,550**	625,544
Cash received from grantors	**3,734,593**	3,032,316
Cash received from contributions	**97,423**	297,967
Cash received from other revenue	**40,539**	103,245
Cash received (refunded) for interest	**2,203**	(14,576)
Cash paid for employee salaries and benefits	**(14,613,426)**	(13,613,532)
Cash paid to subrecipients	**(35,801)**	(32,616)
Cash paid to suppliers and others	**(5,066,144)**	(3,977,299)
Net cash provided by (used in) operating activities	**(315,794)**	1,306,262
Cash flows from investing activities		
Purchase of property and equipment	**(81,992)**	(474,695)
Cash flows from financing activities		
Repayment of capital lease obligation	**(123,098)**	(29,265)
Net increase (decrease) in cash and cash equivalents	**(520,884)**	802,302
Cash and cash equivalents, beginning of year	**2,514,309**	1,712,007
Cash and cash equivalents, end of year	**$ 1,993,425**	$ 2,514,309

See accompanying notes to financial statements.

The Family Medicine Residency of Idaho, Inc.
Statements of Cash Flows (Continued)
Years Ended June 30, 2014 and 2013

	2014	2013
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Change in net assets	**$ 304,118**	$ 417,954
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	**199,802**	124,053
Provision for bad debts	**1,063,166**	911,599
(Increase) decrease in:		
Receivables:		
Patients	**(1,094,303)**	(1,103,912)
Grants	**(359,382)**	(79,840)
Other	**(80,599)**	198,404
Estimated third-party payor settlements	**-**	691,919
Inventories	**(55,578)**	(21,496)
Prepaids and other	**(98,838)**	(91,782)
Increase (decrease) in:		
Accounts payable	**(225,103)**	168,828
Accrued compensation and related liabilities	**(10,689)**	116,238
Accrued vacation	**42,916**	18,566
Deferred grant revenue	**(1,304)**	(44,269)
Net cash provided by (used in) operating activities	**$ (315,794)**	**$ 1,306,262**

Noncash Investing and Financing Activities

During the year ended June 30, 2013, the Residency entered into capital lease obligations in the amount of $169,036.

See accompanying notes to financial statements.

1. Organization and Summary of Significant Accounting Policies:

a. Organization

The Family Medicine Residency of Idaho, Inc. (the Residency) was incorporated in Idaho in 2006. Previously, the Residency operated under the name of Family Practice Residency of Idaho, Inc., which was incorporated in 1975. The Residency was approved by the Centers for Medicare and Medicaid Services as a federally-qualified health center look alike facility (FQHC-LA) on June 14, 2007. In October 2013, the Residency was awarded a Consolidated Health Centers grant from the U.S. Department of Health and Human Services for additional sites and increased capacity. The Residency operates as a dual status organization, with some sites being FQHC-LA clinics and other sites being Consolidated Health Center grant sites.

The Residency is affiliated with the University of Washington Medical School. The Residency was organized to develop and maintain a program designed to further the education of graduate physicians in the medical specialty of family practice. In fulfilling its charter, the Residency operates the Family Medicine Medical Center at seven sites: three sites in Boise, Idaho, two sites in Meridian, Idaho, one site in Kuna, Idaho, and one site in Garden City, Idaho. The Residency also operates Rural Training Tracks at West Valley Medical Center in Caldwell, Idaho, and with St. Luke's Magic Valley Regional Medical Center, and two family physician clinics in Twin Falls, Idaho, and Jerome, Idaho.

b. Summary of Significant Accounting Policies

Basis of presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. The Residency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could materially differ from those estimates.

Cash and cash equivalents – Cash and cash equivalents include money market accounts and highly liquid debt instruments purchased with an original maturity of three months or less.

Grants receivable – Receivables arising from revenue from government agencies are stated at net realizable value. Management believes the amounts to be fully collectible.

Inventories – Inventories are stated at cost on the first-in, first-out method. Inventories consist of pharmaceutical supplies sold to the patients.

Prepaid expenses – Prepaid expenses are expenses paid during the fiscal year relating to expenses to be incurred in future periods. Prepaid expenses are amortized over the expected benefit period of the related expense.

1. Organization and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Property and equipment – Property and equipment acquisitions in excess of $5,000 have been capitalized and are recorded at cost. Donated capital assets are reported at their estimated fair value at the time of their donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method over lives ranging from 3 to 12 years.

Gifts of long-lived assets such as land, buildings, or equipment are reported as an increase in unrestricted net assets 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, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Compensated absences – The Residency's policy is to permit employees to accumulate paid personal leave benefits based on the average number of hours worked per week and the number of years of service. The maximum amount an employee may accrue during a one-year period is 248 hours. No paid personal leave benefits are available during the first 90 days of employment, although they are accrued. All paid personal leave benefits are accrued and expensed when earned. The Residency has recorded a liability for amounts payable under this program as of June 30, 2014 and 2013.

Deferred grant revenue – The Residency recognizes grant revenue when earned. Amounts received prior to the funds being earned are recorded as deferred grant revenue.

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

Sliding fee schedule – The Residency provides care to patients who meet certain criteria under its sliding fee schedule without charge or at amounts less than established rates.

Contributions – Contributions received are reflected as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of the donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Income tax status – The Residency is qualified as exempt from federal income tax under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income tax is necessary. The Residency evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of June 30, 2014 and 2013, the Residency had no uncertain tax positions requiring accrual.

1. Organization and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Functional expense allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent events – The Residency has evaluated subsequent events through November 12, 2014, the date on which the financial statements were available to be issued.

2. Patient Accounts Receivable:

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patient accounts receivable, the Residency analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the Residency analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Residency records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Residency's allowance for uncollectible accounts for self-pay patients decreased 25% as of June 30, 2014, as compared to June 30, 2013, due to increased collection efforts on self-pay accounts. The Residency's provisions for bad debts and writeoffs have not changed significantly from the prior year. The Residency has not changed its charity care or uninsured discount policies during fiscal years 2014 or 2013. The Residency does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

2. Patient Accounts Receivable (continued):

Patient accounts receivable reported as current assets by the Residency consisted of these amounts:

		2014		2013
Receivables from Medicare	**$**	**485,198**	$	689,066
Receivables from Medicaid		**434,403**		329,974
Receivables from patients and their insurance carriers		**1,064,616**		1,033,650
Total patient accounts receivable		**1,984,217**		2,052,690
Less allowance for uncollectible accounts		**395,134**		494,744
Patient accounts receivable, net	**$**	**1,589,083**	$	1,557,946

3. Other Assets:

The Resident Educational Stipend Fund is a nonexpendable trust fund. The principal, in the form of a $5,000 certificate of deposit, is restricted to investment in perpetuity. The income from the fund may only be used for resident financial aid or educational equipment purposes.

On June 29, 2004, the Residency transferred $10,000 to the Idaho Community Foundation to establish the Family Medicine Residency of Idaho Fund (the Fund). The Idaho Community Foundation shall distribute to the Residency, not less than annually, an appropriate percentage of the fair value of the Fund. The amount available for distribution from the Fund will be determined by the Idaho Community Foundation’s Board of Directors at its sole discretion. If at any time the Residency becomes dysfunctional, obsolete, ceases to exist, or is no longer a qualified charitable organization recognized by the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code, Idaho Community Foundation’s Board of Directors, in its sole discretion, may redirect distributions from the Fund to such purposes that will most effectively or closely accomplish the original intent expressed in the agreement.

4. Property and Equipment:

A summary of property and equipment follows:

		2014		2013
Office equipment	**$**	**926,553**	$	878,510
Medical equipment		**329,736**		319,516
Leasehold improvements		**525,689**		501,960
		1,781,978		1,699,986
Less accumulated depreciation		**(990,094)**		(790,292)
Property and equipment, net	**$**	**791,884**	$	909,694

5. Capital Lease Obligation:

The Residency entered into a subscription license agreement on May 17, 2013, for a point of care – enterprise registry solution and an automated clinical messaging solution that both integrate into the Residency's existing electronic health records (EHR) platform. The subscription agreement for this software calls for month-to-month payments in the amount of $9,896 and may be canceled with 30 days advance notification. At the time cumulative subscription payments equal $169,036, the Residency may convert the two subscription licenses to enterprise capital site licenses at no additional cost. During the subscription period, maintenance as well as updates and new releases for the software will be provided at no additional charge, but this will be replaced with the option to purchase a maintenance contract if the licenses are converted at the election of the Residency. The Residency intends to convert the subscription licenses to enterprise capital site licenses. As long as the subscription payments have been made, there is no additional consideration required. This transaction has been classified as a capital lease obligation and corresponding software purchase.

Future minimum lease payments under capital lease obligations are as follows:

June 30,		
2015	$	30,492
Less amount representing interest		-
Present value of future minimum lease payments		30,492
Less current maturities		(30,492)
Total capital lease obligations, net of current maturities	**$**	**-**

6. Commitments Under Noncancellable Operating Leases:

The following is a summary of estimated future minimum building and equipment leases under noncancellable operating leases that expire in various years through December 2019:

Years Ending June 30,		
2015	$	432,320
2016		409,652
2017		318,673
2018		203,417
2019		176,458
Thereafter		74,964
	$	**1,615,484**

7. Line of Credit:

The Residency has a revolving line of credit with US Bank. The amount available to the Residency is $750,000, which expires March 15, 2015. At June 30, 2014, there were no draws on this line of credit.

8. Temporarily Restricted Net Assets:

Temporarily restricted net assets were available for the following purposes:

		2014		2013
Resident financial and/or education equipment	**$**	**5,858**	$	5,682
Patient expenses (medical, housing, food)		**36,191**		-
	$	**42,049**	$	5,682

9. Permanently Restricted Net Assets:

Permanently restricted net assets were as follows:

		2014		2013
Resident Educational Stipend Fund	**$**	**5,000**	$	5,000
Beneficial interest in assets held by Idaho Community Foundation		**10,000**		10,000
	$	**15,000**	$	15,000

The Resident Educational Stipend Fund is a nonexpendable trust fund. The principal is restricted to investment in perpetuity. The income from the fund may only be used for resident financial aid or educational equipment purchases.

In January 1988, the Board approved the establishment of a separate charitable trust, the principal of which is to be preserved and invested to generate income for budgeted expenses and disbursements necessary or desirable for the Residency to pursue and fulfill its chartered purpose as a charitable, scientific, or educational organization.

10. Net Patient Service Revenue:

The Residency recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for the Residency's sliding fee schedule, the Residency recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Residency's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Residency records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	2014	**2013**
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	$ **1,192,276**	$ 991,867
Medicaid	**5,490,973**	5,332,745
Other third-party payors	**2,911,879**	1,630,206
Patients	**2,315,862**	2,382,044
	11,910,990	10,336,862
Less:		
Sliding fee discounts	**(846,045)**	(935,450)
Provision for bad debts	**(1,063,166)**	(911,599)
Net patient service revenue	$ **10,001,779**	$ 8,489,813

The Residency has agreements with third-party payors that provide for payments to the Residency at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- *Medicare* – The Residency is paid on a cost reimbursement method with a per-visit limitation for substantially all services provided to Medicare beneficiaries. The Residency is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after the submission of annual cost reports by the Residency and audits thereof by the Medicare fiscal intermediary.
- *Medicaid* – Services rendered to Medicaid program beneficiaries are reimbursed on a prospective payment methodology as defined by the state of Idaho.

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

10. Net Patient Service Revenue (continued):

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue decreased by approximately $-0- and $105,000 in the years ended June 30, 2014 and 2013, respectively, due to differences between original estimates and final settlements.

The Residency provides care to patients who are financially unable to pay for the healthcare services they receive using a sliding fee schedule without charge or at amounts less than established rates. The Residency's policy is not to pursue collection of amounts determined to qualify for sliding fee discount. Accordingly, the Residency does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The Residency determines the costs associated with providing this care by aggregating the applicable direct and indirect costs, including salaries, wages and benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for patients that qualify for sliding fee discounts for the years ended June 30, 2014 and 2013, were approximately $523,000 and $730,000, respectively. Funds received from gifts and grants to subsidize sliding fee discounts for the years ended June 30, 2014 and 2013, were $450,000 for each year. The Residency also receives grants that partially help subsidize sliding fee discounts; funds received from those grants for the years ended June 30, 2014 and 2013, were $1,023,448 and $1,041,898, respectively.

11. Electronic Health Records Incentive Payments:

The Residency realized $833,000 and $1,508,750 of meaningful use incentive revenue during the years ended June 30, 2014 and 2013, respectively. The amounts recorded are based on the Residency's eligible providers meeting the meaningful use criteria for the year ended June 30, 2014 and 2013.

12. Contributions for Residency Program:

Sources of contributions were as follows:

	2014	**2013**
Ada County	**$ -**	$ 43,750
St. Alphonsus Regional Medical Center	**1,584,729**	1,581,078
St. Luke's Regional Medical Center	**1,309,386**	1,466,148
State of Idaho	**1,118,700**	1,080,900
West Valley Medical Center	**265,908**	272,491
St. Luke's Magic Valley Regional Medical Center	**2,072**	16,838
University of Washington	**166,474**	164,974
Veterans Affairs	**220,885**	181,635
	$ 4,668,154	$ 4,807,814

The Residency's governing Board of Directors includes representatives from St. Alphonsus Regional Medical Center and St. Luke's Regional Medical Center, both of which are principal providers of financial support to the Residency.

12. Contributions for Residency Program (continued):

Noncash support from St. Alphonsus Regional Medical Center includes approximately $400,000 for the lease of the medical center building in both 2014 and 2013, and approximately $54,000 and $47,000 for employee meals in 2013 and 2012, respectively.

Noncash support from St. Luke's Regional Medical Center includes approximately $134,000 and $140,000 for the lease of clinic space in 2014 and 2013, respectively, approximately $11,000 for employee meals in both 2014 and 2013, and approximately $22,000 and $13,000 for janitorial services in 2014 and 2013, respectively.

13. Retirement Plan:

The Residency has established a 403(b) defined contribution plan (the Plan) for the benefit of its employees. In a defined contribution plan, benefits depend solely on amounts contributed by the employee and the Residency to the Plan plus investment earnings. All employees who work at least 20 hours per week are eligible to contribute to the Plan upon employment. After three consecutive months of service, the Residency will match employee deferrals to a maximum of 2% of eligible wages. In addition, a discretionary employer annual contribution is determined at December 31 for each class of employee. The Residency contributed approximately $287,000 and $460,000 to the Plan for the years ended June 30, 2014 and 2013, respectively.

14. Medical Self-Insurance Plan:

The Residency sponsors a self-insured medical plan. The plan covers substantially all employees and purchases stop loss coverage to manage its risk. Plan costs, including claims paid, insurance purchase, and administrative costs were approximately $1,100,000 and $442,000 for the years ended June 30, 2014 and 2013, respectively.

The accompanying financial statements include a liability of approximately $106,000 and $161,000 at June 30, 2014 and 2013, respectively, which is included in accrued compensation and related liabilities. This liability is estimated based upon a review by the Residency for claims incurred but not reported.

15. Functional Expenses:

The Residency provides various programs and other activities to residents within its geographic location. Accordingly, certain costs have been allocated among the programs and supporting services benefited as follows:

	2014	2013
Clinic operations	**$ 9,263,231**	$ 7,937,094
Residency program	**6,807,489**	6,760,343
Ryan White Clinic	**1,128,783**	1,140,045
	17,199,503	15,837,482
Management and general	**2,888,435**	2,537,489
Fundraising	**119,871**	209,746
	$ 20,207,809	$ 18,584,717

16. Concentration of Risks:

Cash and cash equivalents – The Residency maintains several bank accounts at financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At various times during the year and at year end, the Residency had deposits in excess of FDIC coverage.

Patient accounts receivable – The Residency grants credit without collateral to its patients, most of who are local residents, and are insured under third-party payor agreements. The majority of these patients are geographically concentrated in southwestern Idaho.

The mix of receivables from patients was as follows:

	2014	2013
Medicare	**29 %**	37 %
Medicaid	**20**	15
Other third-party payors	**23**	14
Patients	**28**	34
	100 %	100 %

Physicians – The Residency is dependent on its employed physicians to continue to provide patient care.

16. Concentration of Risks (continued):

Grant funding – Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Residency expects such amounts, if any, to be immaterial.

A significant portion of the Residency's funding is derived from grants funded through various federal, state, and private organizations. These programs are funded primarily through Department of Health and Human Services federal contracts and the Idaho Department of Health and Welfare. The Residency is dependent on continued funding.

17. Contingencies:

Medical malpractice claims – The Residency purchases malpractice liability insurance through Lexington Insurance Company (LIC). LIC provides protection on a "claims-made" basis whereby only malpractice claims reported to the insurance carrier in the current year are covered by the current policy. If there are unreported incidents which result in a malpractice claim for the current year, these will only be covered in the year the claim is reported to the insurance carrier if the Residency purchases claims-made insurance in that year, or if the Residency purchases extended coverage (tail) insurance to cover claims incurred before, but reported after cancellation or expiration of a claims-made policy.

The current malpractice insurance provides $1,000,000 per claim of primary coverage with an annual aggregate limit of $10,000,000.

No liability has been accrued for future coverage for acts, if any, occurring in this or prior years. Also, it is possible that claims may exceed coverage available in any given year.

Industry regulations – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Residency is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Healthcare reform – As a result of recently enacted federal healthcare reform legislation, substantial changes are anticipated in the United States of America's healthcare system. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement of healthcare providers, and the legal obligations of health insurers, providers, and employers. These provisions are currently slated to take effect at specified times over approximately the next decade. The federal healthcare reform legislation does not affect the 2014 financial statements.

SINGLE AUDIT

AUDITORS' SECTION

DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' 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
The Family Medicine Residency of Idaho, Inc.
Boise, Idaho

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 The Family Medicine Residency of Idaho, Inc. (a nonprofit organization) (the Residency), which comprise the statements of financial position as of June 30, 2014, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Residency'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 Residency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Residency'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 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 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Residency's financial statements are free from 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*.

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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 Residency'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 Residency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dingus, Zarecor, and Associates

Spokane Valley, Washington
November 12, 2014

DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

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

Board of Directors
The Family Medicine Residency of Idaho, Inc.
Boise, Idaho

Report on Compliance for Each Major Federal Program

We have audited The Family Medicine Residency of Idaho, Inc.'s (a nonprofit organization) (the Residency) 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 Residency's major federal programs for the year ended June 30, 2014. The Residency's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Residency'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 Residency'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 Residency's compliance.

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Basis for Qualified Opinion on U.S. Department of Health and Human Services' Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease and Consolidated Health Centers

As described in items 2014-001 and 2014-002 in the accompanying schedule of findings and questioned costs, the Residency did not comply with requirements regarding the application of sliding fee discounts that are applicable to its CFDA 93.918 U.S. Department of Health and Human Services' Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease program and CFDA 93.224 U.S. Department of Health and Human Services' Consolidated Health Centers program. Compliance with such requirement is necessary, in our opinion, for the Residency to comply with requirements applicable to these programs.

Qualified Opinion on U.S. Department of Health and Human Services' Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease and Consolidated Health Centers

In our opinion, except for the instances of noncompliance described in the preceding "Basis for Qualified Opinion" paragraph, the Residency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the U.S. Department of Health and Human Services' Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease and Consolidated Health Centers for the year ended June 30, 2014.

Unmodified Opinion on Compliance for the Other Major Federal Program

In our opinion, the Residency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Other Matters

The Residency's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. The Residency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Residency 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 Residency'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 not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Residency's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002 to be material weaknesses.

The Residency's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. The Residency'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.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
November 12, 2014

The Family Medicine Residency of Idaho, Inc.
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2014

Section I – Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued:	***Unmodified***			
Internal control over financial reporting:				
• Material weakness(es) identified?		yes	X	no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?		yes	X	none reported
Noncompliance material to financial statements noted?		yes	X	no

Federal Awards:

Internal control over major programs:				
• Material weakness(es) identified?	X	yes		no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?		yes	X	none reported
Type of auditors' report issued on compliance for major program:	***Unmodified for Affordable Care Act - Teaching Health Center Graduate Medical Education Payments Program and qualified for Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease and Consolidated Health Centers.***			
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?	X	yes		no

Identification of major program:

CFDA Number(s)	*Name of Federal Program or Cluster*
93.918	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease
93.530	Affordable Care Act - Teaching Health Center Graduate Medical Education Payments Program
93.224	Consolidated Health Centers

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

Auditee qualified as low-risk auditee? ______ yes __X__ no

Section II – Financial Statement Findings

There are no matters reported for 2014.

Section III – Federal Award Findings and Questioned Costs

2014-001 Application of Sliding Fee Discounts

Program Information:

Federal Agency	U.S. Department of Health and Human Services
CFDA	93.918 Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease
Award Numbers	H76HA00205 – July 1, 2013 – June 30, 2014
Condition	During our testing of sliding fee discounts for HIV patients qualifying for reduced charge visits, we identified twelve incidents of the incorrect sliding fee applied.
Criteria	[X] Compliance Finding [ ] Significant Deficiency [X] Material Weakness OMB Circular A-133 *Compliance Supplement, Part 3, Compliance Requirement J, Program Income* states, "Health centers must have a schedule of fees or payments for the provision of their health services consistent with locally prevailing rates or charges and designed to cover their reasonable costs of operation. They are also required to have a corresponding schedule of discounts applied and adjusted on the basis of the patient's ability to pay."
Context	This finding appears to be a systemic problem.
Cause	The Residency did not have adequate processes and review procedures in place to properly administer the sliding fee program.
Effect	Patients were granted the incorrect sliding fee percentage.
Questioned Costs	None identified.
Recommendation	We recommend personnel be properly trained on applying the appropriate sliding fee discount based on the Residency's approved policy and in compliance with the *OMB Circular A-133 Compliance Supplement* requirements. We recommend an appropriate level of review be conducted on patient accounts to ensure proper application of sliding fee discounts.

Section III – Federal Award Findings and Questioned Costs (Continued)

2014-002 Application of Sliding Fee Discounts

Program Information:

Federal Agency	U.S. Department of Health and Human Services
CFDA	93.224 Consolidated Health Centers
Award Numbers	H76HA00205 – July 1, 2013 – June 30, 2014

Condition During our testing of sliding fee discounts for Consolidated Health Center patients qualifying for reduced charge visits, we identified eleven incidents of the incorrect sliding fee applied.

Criteria [X] Compliance Finding [ ] Significant Deficiency [X] Material Weakness

OMB Circular A-133 *Compliance Supplement, Part 3, Compliance Requirement J, Program Income* states, "Health centers must have a schedule of fees or payments for the provision of their health services consistent with locally prevailing rates or charges and designed to cover their reasonable costs of operation. They are also required to have a corresponding schedule of discounts applied and adjusted on the basis of the patient's ability to pay."

Context This finding appears to be a systemic problem.

Cause The Residency did not have adequate processes and review procedures in place to properly administer the sliding fee program.

Effect Patients were granted the incorrect sliding fee percentage.

Questioned Costs None identified.

Recommendation We recommend personnel be properly trained on applying the appropriate sliding fee discount based on the Residency's approved policy and in compliance with the *OMB Circular A-133 Compliance Supplement* requirements. We recommend an appropriate level of review be conducted on patient accounts to ensure proper application of sliding fee discounts.

AUDITEE'S SECTION

The Family Medicine Residency of Idaho, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Contract Award Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	**93.918**	H76HA00205	$ 825,806
Affordable Care Act - Teaching Health Center Graduate Medical Education Payments Program	**93.530**	T91HP21544	900,000
Affordable Care Act - Primary Care Residency Expansion Program	**93.510**	T89HP20765 T89HP20767	485,481
Consolidated Health Centers	**93.224**	H80CS26601	450,741
AIDS Education and Training Centers	**93.145**	H4AHA22760	135,612
Subtotal direct programs			2,797,640
Pass-through program from:			
Idaho Department of Health and Welfare:			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	**93.283**	HC761300	35,497
HIV Care Formula Grants	**93.917**	HC752700	62,030
State Rural Hospital Flexibility Program	**93.241**	HC715700	32,200
Refugee and Entrant Assistance - State Administered Programs	**93.566**	HC785000 HC778300 HC749900	184,868
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	**93.116**	HC823800	2,352
National Rural Health Association: Rural Health Research Centers	**93.155**	Not Available	36,531
National Organization of State Offices of Rural Health: Grants to States for Operations of Offices of Rural Health	**93.913**	Not Available	14,937
University of Washington Allergy, Immunology and Transplantation Research	**93.855**	755200	7,498
Idaho Primary Care Association Children's Health Insurance Program	**93.767**	Not Available	75
Subtotal pass-through programs			375,988
Total U.S. Department of Health and Human Services			3,173,628
Total expenditures of federal awards			**$ 3,173,628**

See accompanying independent auditors' report.

The Family Medicine Residency of Idaho, Inc.
Note to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

1. **Basis of Presentation:**

   The accompanying schedule of expenditures of federal awards includes the federal grant activity of Family Medicine Residency of Idaho, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The Family Medicine Residency of Idaho, Inc.
Corrective Action Plan
Year Ended June 30, 2014

The current year Schedule of Findings and Questioned Costs reported no matters in Section II – Financial Statement Findings. Two matters were reported in Section III – Federal Award Findings and Questioned Costs.

Current year audit findings:

Finding Numbers	Corrective Action Plan
2014-001, 2014-002	**Application of Sliding Fee Discount**

The Family Medicine Residency of Idaho, Inc. (the Residency) processes and approves approximately one hundred patient applications for financial assistance per month and sees patients qualifying financial assistance over three hundred times per month as a clinic visit.

During the audit year, two things contributed to deviations in application of the sliding fee discount amounts. The first contributing factor was that the process was overseen by a staff employee during a time that the individual had a serious neurological disorder. This disorder affected her for many months while engaged in the position but was not made known nor readily evident to her supervisor or management. It was only after the employee took a medical leave that it was determined that she had contributed to a number of errors when performing her role as eligibility representative. In addition, the Residency performed six updates to its EMR and practice management platform during the audit period to ensure compliance with meaningful use requirements. The updates caused considerable problems in the system-built federal poverty guideline tables and assigned levels of discount a patient was deemed eligible for.

The Residency has conducted sample audits of patient discounts since spring 2014 and believes it now has corrected this condition. In addition, the Residency is currently auditing 100 percent of all patient invoices that are being sent to uninsured patients who qualify for the sliding fee discount program. This auditing will continue at 100 percent until management feels this condition is no longer occurring. Thereafter, sample audits will continue to be performed and 100 percent audits will be resumed for one month following any upgrade to the EMR and practice management platform.

The Family Medicine Residency of Idaho, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

2013-001 Application of Sliding Fee Discounts

Program Information:

Federal Agency	U.S. Department of Health and Human Services
CFDA	93.918 Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease
Award Numbers	H76HA00205 – July 1, 2012 – June 30, 2013

Condition

During our testing of sliding fee discounts for HIV patients qualifying for reduced charge visits, we identified two incidents of the incorrect sliding fee applied.

Criteria

[X] Compliance Finding [X] Significant Deficiency [ ] Material Weakness

OMB Circular A-133 *Compliance Supplement, Part 3, Compliance Requirement J, Program Income* states, "Health centers must have a schedule of fees or payments for the provision of their health services consistent with locally prevailing rates or charges and designed to cover their reasonable costs of operation. They are also required to have a corresponding schedule of discounts applied and adjusted on the basis of the patient's ability to pay."

Status

Repeated as 2014-001.

The Family Medicine Residency of Idaho, Inc.
Summary Schedule of Prior Audit Findings (Continued)
Year Ended June 30, 2014

2013-002 Level of Effort

Program Information:

Federal Agency	U.S. Department of Health and Human Services
CFDA	93.918 Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease
Award Numbers	H76HA00205 – July 1, 2012 – June 30, 2013
Condition	During our compliance testing of program expenses, we discovered that total program expenses for fiscal year 2013 did not exceed the program's expenses for fiscal year 2012.
Criteria	[X] Compliance Finding [ ] Significant Deficiency [ ] Material Weakness OMB Circular A-133 *Compliance Supplement, Part 3, Compliance Requirement G, Level of Effort* states, "A grantee must maintain its expenditures for early intervention services at a level equal to not less than the level of expenditures for such services for the fiscal year."
Status	Resolved in 2014.