

**COMMUNITY HEALTH AND WELLNESS CENTER
OF GREATER TORRINGTON, INC.**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 AND 2011

**COMMUNITY HEALTH AND WELLNESS CENTER
OF GREATER TORRINGTON, INC.**

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Independent Auditors' Report

To the Board of Directors
Community Health and Wellness Center of Greater Torrington, Inc.
Torrington, Connecticut

We have audited the accompanying balance sheets of Community Health and Wellness Center of Greater Torrington, Inc. (the Center) as of September 30, 2012 and 2011, and the related statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of September 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 8, 2013 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Blum, Shapiro & Company, P.C.

January 8, 2013

**COMMUNITY HEALTH AND WELLNESS CENTER
OF GREATER TORRINGTON, INC.
BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 397,230	\$ 405,230
Patient fees receivable, net	414,027	411,999
Grants receivable	102,490	135,350
Prepaid expenses and other current assets	1,430	23,377
Total current assets	<u>915,177</u>	<u>975,956</u>
Property and Equipment		
Land	980,342	350,000
Buildings and improvements	2,135,169	2,135,169
Furniture and equipment	394,722	328,056
	<u>3,510,233</u>	<u>2,813,225</u>
Less accumulated depreciation	351,867	229,197
	<u>3,158,366</u>	<u>2,584,028</u>
Construction in process	126,688	-
Net property and equipment	<u>3,285,054</u>	<u>2,584,028</u>
Total Assets	<u>\$ 4,200,231</u>	<u>\$ 3,559,984</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 238,792	\$ 167,508
Line of credit	250,000	-
Current portion of notes payable	163,539	12,544
Deferred revenue	3,370	18,565
Total current liabilities	<u>655,701</u>	<u>198,617</u>
Long-Term Liabilities		
Notes payable, less current portion	396,810	409,324
Total liabilities	<u>1,052,511</u>	<u>607,941</u>
Net Assets		
Unrestricted	2,547,720	2,252,043
Temporarily restricted	600,000	700,000
Total net assets	<u>3,147,720</u>	<u>2,952,043</u>
Total Liabilities and Net Assets	<u>\$ 4,200,231</u>	<u>\$ 3,559,984</u>

The accompanying notes are an integral part of the financial statements

**COMMUNITY HEALTH AND WELLNESS CENTER
OF GREATER TORRINGTON, INC.
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Changes in Unrestricted Net Assets		
Support and revenue:		
Net patient service revenues	\$ 3,044,896	\$ 2,506,883
State and federal grants	1,268,931	1,084,566
Medicaid and Medicare incentives	272,324	-
Other	45,900	38,268
Contributions	8,753	80,724
Net assets released from restrictions	<u>100,000</u>	<u>156,526</u>
Total unrestricted support and revenues	<u>4,740,804</u>	<u>3,866,967</u>
 Expenses:		
Salaries	2,652,152	2,249,272
Payroll taxes and benefits	616,773	456,527
Bad debt expense	237,969	125,792
Professional fees	189,732	201,551
Program expense	148,390	137,958
Depreciation	130,861	92,861
Primary care expense	114,122	29,448
Repairs and maintenance	70,340	57,727
Rentals	39,458	31,318
Office supplies	37,292	47,052
Interest	34,925	30,137
Small equipment	29,519	23,921
Dues and subscriptions	25,051	18,685
Utilities	24,997	22,311
Insurance	24,341	27,452
Telephone	24,071	14,946
Miscellaneous	19,061	16,640
Advertising	13,603	14,579
Travel	12,470	7,498
Total expenses	<u>4,445,127</u>	<u>3,605,675</u>
 Increase in unrestricted net assets	295,677	261,292
 Changes in Temporarily Restricted Net Assets		
Net assets released from restrictions	<u>(100,000)</u>	<u>(156,526)</u>
 Increase in Net Assets	195,677	104,766
 Net Assets - Beginning of Year	<u>2,952,043</u>	<u>2,847,277</u>
 Net Assets - End of Year	<u>\$ 3,147,720</u>	<u>\$ 2,952,043</u>

The accompanying notes are an integral part of the financial statements

**COMMUNITY HEALTH AND WELLNESS CENTER
OF GREATER TORRINGTON, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 195,677	\$ 104,766
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	130,861	92,861
Donated equipment	-	(57,721)
(Increase) decrease in operating assets:		
Patient fees receivable	(2,028)	(305,794)
Grant receivable	32,860	(88,218)
Prepaid expenses and other current assets	21,947	3,543
Increase (decrease) in operating liabilities:		
Accounts payable	71,284	(23,671)
Deferred revenue	(15,195)	18,565
Net cash provided by (used in) operating activities	<u>435,406</u>	<u>(255,669)</u>
Cash Flows from Investing Activities		
Property and equipment expenditures	<u>(831,887)</u>	<u>(353,450)</u>
Net cash used in investing activities	<u>(831,887)</u>	<u>(353,450)</u>
Cash Flows from Financing Activities		
Repayment of note payable	(11,519)	(12,848)
Proceeds from note payable	150,000	-
Proceeds from line of credit	<u>250,000</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>388,481</u>	<u>(12,848)</u>
Net Decrease in Cash and Cash Equivalents	(8,000)	(621,967)
Cash and Cash Equivalents - Beginning of Year	<u>405,230</u>	<u>1,027,197</u>
Cash and Cash Equivalents - End of Year	<u>\$ 397,230</u>	<u>\$ 405,230</u>
Cash Paid During the Year for Interest	\$ 34,925	\$ 30,137

The accompanying notes are an integral part of the financial statements

COMMUNITY HEALTH AND WELLNESS OF GREATER TORRINGTON, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Community Health and Wellness Center of Greater Torrington, Inc. (the Center) was organized as a Connecticut nonprofit, nonstock corporation to provide comprehensive primary and preventative health care for the uninsured and underinsured population in northwestern Connecticut. The Center provides care regardless of the individual's ability to pay for these services. The Center's primary sources of revenue consist of grants and patient fees.

Basis of Accounting and Presentation - The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of the Center are reported in the following net asset categories:

Unrestricted - Unrestricted net assets represent available resources other than donor-restricted contributions. Included in unrestricted net assets are grants and contracts that may be earmarked for specific purposes.

Temporarily Restricted - Temporarily restricted net assets represent contributions that are restricted either as to purpose or as to time of expenditure.

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 in the financial statements. Actual results could differ from those estimates. Significant estimates include the allowance for doubtful patient fees receivable.

Cash Equivalents - Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less.

Property and Equipment - Property and equipment acquisitions and improvements thereon that exceed \$5,000 are capitalized at cost. Donated property and equipment exceeding the capitalization threshold are capitalized at the fair market value on the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Expenditures that substantially increase the useful lives of the related assets are capitalized. Maintenance, repairs and minor renewals are charged to operations as incurred.

Patient Service Revenue - Patient service revenue is reported at the estimated net realizable amount from patients, third-party payors and others for services rendered. Revenue received under cost-reimbursement agreements is subject to audit and retroactive adjustment by third-party payors. Provisions for estimated adjustments are reflected in patient service revenue. Differences between estimated adjustments and final settlements are recognized in the year of settlement.

Medicaid and Medicare incentive revenue of \$272,324 was received in the year ended September 30, 2012 as a result of the Center implementing electronic medical records.

COMMUNITY HEALTH AND WELLNESS OF GREATER TORRINGTON, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Charity Care - The Center has adopted FASB Accounting Standards Update (ASU) No. 2010-23, *Measuring Charity Care for Disclosure*, effective October 1, 2011. Under this ASU, the measure of charity care for disclosure is based on the indirect and direct costs of charity care, rather than forgone patient service revenue. The ASU has been retrospectively applied to the 2011 disclosure below.

The Center provides care to all patients, regardless of their ability to pay or the availability of third-party reimbursement. The cost of charity care is estimated by applying the ratio of healthcare service costs (determined for functional expense disclosure purposes) to patient revenue and applying that ratio to forgone patient revenue. The cost of services provided under the Center's charity care policy totaled \$314,331 and \$217,819 for the years ended September 30, 2012 and 2011, respectively.

Grants and Contracts - With the exception of grants for property acquisition or renovation, governmental grants and contracts are generally considered to be exchange transactions rather than contributions. Revenue from cost-reimbursement grants and contracts is recognized to the extent of costs incurred. Revenue from performance-based grants and contracts is recognized to the extent of performance achieved. Grant and contract receipts in excess of revenue recognized are presented as deferred revenue.

Contributions - Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. The Center reports nongovernmental contributions and grants of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. The Center also reports governmental grants for property acquisition or renovation as temporarily restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of operations and changes in net assets as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented with unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Center reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions on how the assets are to be used and gifts of cash or other assets that must be used to acquire property and equipment are reported as restricted support. Without donor stipulations about how long those assets must be maintained, the Center reports expirations of donor restrictions when the assets are placed in service.

Expenses by Function - The costs of providing various programs and activities have been summarized on a functional basis in Note 7. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**COMMUNITY HEALTH AND WELLNESS OF GREATER TORRINGTON, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes - The Internal Revenue Service (IRS) has determined that the Center is exempt from federal income taxes on exempt function income as a public charity under Section 501(c)(3) of the Internal Revenue Code. Consequently, no provision for income taxes has been made in the accompanying financial statements. The Center's informational returns for the years ended September 30, 2009 through 2012 are subject to examination by the IRS and the State of Connecticut.

Subsequent Events - In preparing these financial statements, management has evaluated subsequent events through January 8, 2013, which represents the date the financial statements were available to be issued. A subsequent event is disclosed in Note 12.

NOTE 2 - CONCENTRATIONS

Concentrations of Credit Risk - The Center's financial instruments that are exposed to concentrations of credit risk are cash and patient fees receivable.

Cash - The Center's deposits in financial institutions may, at times, exceed federal depository insurance limits. Management believes that the Center's deposits are not subject to significant credit risk.

Patient Fees Receivable - The Center grants credit without collateral to its patients, most of whom are local residents and some of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of September 30, 2012 and 2011 was as follows:

	<u>2012</u>	<u>2011</u>
Patients	12%	11%
Medicaid	40	54
Medicare	36	24
Other third-party payors	<u>12</u>	<u>11</u>
Total Patient Fees Receivable	<u>100%</u>	<u>100%</u>

Interest is not accrued on patient receivables. The Center provides an allowance for doubtful accounts based on the application of certain percentages to each payor type based on historical experience. The allowance for doubtful accounts is \$174,677 and \$170,512 as of September 30, 2012 and 2011, respectively.

Revenue Concentrations - A substantial portion of the Center's revenue consists of grants from the federal government and the State of Connecticut. As with all government funding, these grants are subject to reduction or termination in future years. Any reduction in federal or state funding could have an adverse impact on the Center's operations.

In addition, 79% and 77% of the Center's patient revenue for the years ended September 30, 2012 and 2011, respectively, consists of federal Medicare and Medicaid reimbursements.

COMMUNITY HEALTH AND WELLNESS OF GREATER TORRINGTON, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - HEALTHCARE FACILITY RESTRICTIONS

The Center has received a state bonding grant to fund construction of its facility. The State maintains a lien on the facility, which is released at a rate of 10% per year so long as the property is being used for providing healthcare services. The bonding grant has been recognized as a temporarily restricted contribution, and is being released at 10% per year coincident with the lien period.

NOTE 4 - NOTES PAYABLE

Notes payable as of September 30, 2012 and 2011, consist of the following:

	2012	2011
Note payable to bank, in monthly installments of \$3,500 (including interest at 6.94% through May 2029), secured by real estate	\$ 410,349	\$ 421,868
Note payable to bank, (including interest at 3.75% through March 2013), secured by real estate	150,000	-
	560,349	421,868
Less current portion	163,539	12,544
Noncurrent Portion	\$ 396,810	\$ 409,324

Aggregate principal maturities of notes payable in subsequent years are as follows:

Year Ending September 30

2013	\$ 163,539
2014	14,523
2015	15,578
2016	16,639
2017	17,920
Thereafter	332,150
	\$ 560,349

NOTE 5 - LINE OF CREDIT

The Center has an available commercial line of credit of \$250,000, which bears interest at the bank's prime rate plus .5% (3.75% as of September 30, 2012 and 2011) and expires March 13, 2014. This line of credit is secured substantially by the Center's facility. The balance on the line was \$250,000 and \$-0- as of September 30, 2012 and 2011, respectively. The line of credit was used to provide part of the financing for the purchase of property in 2012.

COMMUNITY HEALTH AND WELLNESS OF GREATER TORRINGTON, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

For the years ended September 30, 2012 and 2011, temporarily restricted net assets were released from restrictions by meeting the following purpose or time restrictions:

	2012	2011
Expiration of lien period on funded renovations (Note 3)	\$ 100,000	\$ 100,000
Purpose restrictions:		
Acquisition of equipment	-	48,838
Facility construction	-	7,688
 Total Temporarily Restricted Net Assets Released	 \$ 100,000	 \$ 156,526

Temporarily restricted net assets of \$600,000 and \$700,000 as of September 30, 2012 and 2011, respectively, represent the unexpired lien period on funded renovations discussed in Note 3.

NOTE 7 - EXPENSES BY FUNCTION

Expenses by function for the years ended September 30, 2012 and 2011, are as follows:

	2012	2011
Healthcare services	\$ 3,349,661	\$ 2,657,037
Management and general	1,095,466	948,638
 Total Expenses	 \$ 4,445,127	 \$ 3,605,675

NOTE 8 - MALPRACTICE INSURANCE

As a federally qualified health center, the Center maintains malpractice insurance under the Federal Tort Claims Act (FTCA). This coverage is applicable to the Center and its officers, board members, employees and contractors who are physicians, other licensees or certified healthcare practitioners. The FTCA coverage is on a claims-made basis policy without a monetary cap. As of September 30, 2012, no known malpractice claims have been asserted against the Center.

NOTE 9 - EMPLOYEE BENEFIT PLAN

The Center maintains a defined contribution 403(b) retirement plan for full-time employees, as defined. Employee contributions under the plan are determined by the eligible participating employees, subject to certain IRS limitations. The Center contributes 4% to 8% of compensation, based on longevity, for employees with at least one year of service. The Center's contributions for the years ended September 30, 2012 and 2011, totaled \$79,625 and \$45,457, respectively.

COMMUNITY HEALTH AND WELLNESS OF GREATER TORRINGTON, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - MEDICARE AND MEDICAID

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, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased 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 Center is in compliance with fraud and abuse, as well as other applicable government laws and regulations. While no material 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.

NOTE 11 - GOVERNMENT GRANTS

The Center participates in federal and state assisted grant programs. These grants are subject to audits by grantor agencies, which could result in disallowed costs due back to the grantor. The Center is not aware of any liabilities to grantors.

NOTE 12 - FACILITY EXPANSION

The Center has embarked on expanding its facilities in order to expand medical, dental and behavioral health services to the community. On June 1, 2012 the Center purchased property adjacent to its present facility for \$625,000. The purchase was financed in part through a short-term note for \$150,000 and use of the existing line of credit of \$250,000. Development plans are currently in process. The facility is estimated to cost approximately \$8.5 million, which is expected to be funded through a combination of a federal grant that has been secured for \$5 million, new market tax credits and a mortgage. The current balances in the short-term note payable and the line of credit are expected to be rolled into the new mortgage.

**COMMUNITY HEALTH AND WELLNESS CENTER
OF GREATER TORRINGTON, INC.**

FEDERAL SINGLE AUDIT REPORT

SEPTEMBER 30, 2012

**COMMUNITY HEALTH AND WELLNESS CENTER
OF GREATER TORRINGTON, INC.**

FEDERAL SINGLE AUDIT REPORT

SEPTEMBER 30, 2012

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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program, on Internal Control over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards

To the Board of Directors
Community Health and Wellness Center of Greater Torrington, Inc.
Torrington, Connecticut

Compliance

We have audited Community Health and Wellness Center of Greater Torrington, Inc.'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 the Center's major federal program for the year ended September 30, 2012. The Center's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of the Center's compliance with those requirements.

In our opinion, the Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2012.

Internal Control over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Center as of and for the year ended September 30, 2012 and have issued our report thereon dated January 8, 2013, which contained an unqualified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by OMB Circular A-133 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the Finance Committee, the Board of Directors, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Blum, Shapiro & Company, P.C.

January 8, 2013

**COMMUNITY HEALTH AND WELLNESS CENTER
OF GREATER TORRINGTON, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<u>Grantor/Pass-Through Entity/ Program Title</u>	<u>Grant Period End</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Department of Health and Human Services				
<i>Direct:</i>				
Health Center Cluster:				
Consolidated Health Center	2/29/12	H80CS12843	93.224	\$ 316,881
Consolidated Health Center	2/28/13	H80CS12843	93.224	<u>449,327</u>
				<u>766,208</u>
Ryan White C	3/31/12	H76HA01697	93.918	137,063
Ryan White C	3/31/13	H76HA01697	93.918	<u>136,366</u>
				<u>273,429</u>
<i>Passed Through the Community Health Center Association of Connecticut, Inc.:</i>				
Colorectal Cancer Screening Services Program	6/30/12	2010-0193 (YR 3)	93.282	10,494
Colorectal Cancer Screening Services Program	6/30/13	2010-0193 (YR 4)	93.282	<u>3,296</u>
				<u>13,790</u>
Breast and Cervical Cancer Patient Navigator Program	6/30/12	2010-0193-2	93.283	<u>18,590</u>
Ryan White D	7/31/12	-	93.153	35,236
Ryan White D	7/31/13	-	93.153	<u>6,001</u>
				<u>41,237</u>
Total Federal Awards Expended				\$ <u><u>1,113,254</u></u>

The accompanying notes are an integral part of this schedule

**COMMUNITY HEALTH AND WELLNESS CENTER
OF GREATER TORRINGTON, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Community Health and Wellness Center of Greater Torrington, Inc. (the Center) under programs of the federal government for the year ended September 30, 2012. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to, and does not, present the financial position, changes in net assets or cash flows of the Center.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. For cost-reimbursement awards, such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. For performance-based awards, expenditures reported represent amounts earned.

NOTE 3 - NONCASH ASSISTANCE

The Center received and used vaccines with a fair value of \$5,528 under federal CFDA 93.268, passed through the Connecticut Department of Public Health (DPH). In accordance with the *OMB Circular A-133 Compliance Supplement*, such assistance is not considered to be a federal award for federal single audit purposes and, accordingly, it has not been included in the schedule of expenditures of federal awards. However, the DPH requires disclosure of this assistance.



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**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***

To the Board of Directors
Community Health and Wellness Center of Greater Torrington, Inc.
Torrington, Connecticut

We have audited the financial statements of Community Health and Wellness Center of Greater Torrington, Inc. (the Center) as of and for the year ended September 30, 2012 and have issued our report thereon dated January 8, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Center is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Finance Committee, the Board of Directors, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Blum, Shapiro & Company, P.C.

January 8, 2013

**COMMUNITY HEALTH AND WELLNESS CENTER
OF GREATER TORRINGTON, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: Unqualified

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

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
93.244	Consolidated Health Center Cluster

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

Auditee qualified as low-risk auditee? _____ yes X no

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.