

**The Hektoen Institute of Medicine
and Its Wholly Owned Subsidiary,
The Hektoen Institute of Medicine, LLC**

*Financial Statements for the
Year Ended August 31, 2012*

{ Financial Statements }

plante
moran

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Year Ended August 31, 2012

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Independent Auditor's Report

Board of Directors
The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary,
The Hektoen Institute of Medicine, LLC
Chicago, Illinois

We have audited the accompanying consolidated statement of financial position of **The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC** as of August 31, 2012, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The 2011 summarized comparative information was derived from the consolidated financial statements of **The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC** as of August 31, 2011 and for the year then ended, which were audited by Blackman Kallick, LLP, whose report dated January 10, 2012, expressed an unqualified opinion on those consolidated financial statements. Blackman Kallick, LLP subsequently merged into Plante & Moran, PLLC.

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

In our opinion, the 2012 consolidated financial statements referred to above present fairly, in all material respects, the financial position of **The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC** as of August 31, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2013, on our consideration of **The Hektoen Institute of Medicine's and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic 2012 consolidated financial statements of **The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC** as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2012 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the basic 2012 consolidated financial statements as a whole.

Plante & Moran, PLLC

February 4, 2013

**The Hektoen Institute of Medicine and Its Wholly Owned
Subsidiary, The Hektoen Institute of Medicine, LLC**

Years Ended August 31, 2012 and 2011

Consolidated Financial Statements

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Consolidated Statements of Financial Position
August 31, 2012 and 2011

| | <u>Assets</u> | |
|---|-----------------------------------|----------------------|
| | 2012 | 2011 |
| Cash | \$ 3,230,016 | \$ 19,470 |
| Investments | 16,938,968 | 15,931,099 |
| Grants Receivable | 8,223,145 | 7,684,978 |
| Interest Receivable | 79,467 | 52,009 |
| Inventory | 126,658 | 94,769 |
| Expense Advances | 88,039 | 128,232 |
| Prepaid Expenses | 333,928 | 352,816 |
| Computer and Laboratory Equipment (Less accumulated depreciation of \$606,026 and \$553,642, respectively) | 20,194 | 72,578 |
| Total Assets | <u>\$ 29,040,415</u> | <u>\$ 24,335,951</u> |
| | <u>Liabilities and Net Assets</u> | |
| Liabilities | | |
| Checks issued in excess of funds on deposit | \$ - | \$ 340,638 |
| Accrued expenses | | |
| Due to Bureau of Health Services | 5,285,144 | 4,455,957 |
| Accrued vacation | 709,112 | 769,747 |
| Accounts payable | 725,251 | 514,759 |
| Amounts held on behalf of others | 6,356,825 | 4,561,113 |
| Deferred revenue | 1,041,113 | 1,072,613 |
| Deferred rent | - | 7,445 |
| Total Liabilities | <u>14,117,445</u> | <u>11,722,272</u> |
| Net Assets | | |
| Unrestricted | | |
| Designated - Lab operations | 5,000,000 | 5,000,000 |
| Designated - Future administrative costs | 3,000,000 | 3,000,000 |
| Undesignated | 6,857,553 | 4,548,262 |
| Total Unrestricted | <u>14,857,553</u> | <u>12,548,262</u> |
| Permanently restricted | 65,417 | 65,417 |
| Total Net Assets | <u>14,922,970</u> | <u>12,613,679</u> |
| Total Liabilities and Net Assets | <u>\$ 29,040,415</u> | <u>\$ 24,335,951</u> |

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Consolidated Statements of Activities
Year Ended August 31, 2012 with Comparative Totals for 2011

| | Unrestricted | Permanently Restricted | 2012 Total | 2011 Total |
|---|----------------------|---------------------------|----------------------|----------------------|
| Revenues | | | | |
| Contributions and grants | | | | |
| Government | \$ 25,864,826 | \$ - | \$ 25,864,826 | \$ 24,777,988 |
| Foundation | 3,519,993 | - | 3,519,993 | 2,696,230 |
| Pharmaceutical | 137,252 | - | 137,252 | 158,741 |
| Hospitals, universities and medical organizations | 3,071,315 | - | 3,071,315 | 2,420,895 |
| Industry and federal pass-through income | 1,588,373 | - | 1,588,373 | 831,480 |
| Grant administration income | 390,355 | - | 390,355 | 442,188 |
| Interest and dividend income | 362,109 | - | 362,109 | 280,557 |
| Net realized and change in unrealized gains on investments | 600,272 | - | 600,272 | 640,375 |
| Miscellaneous income | 365,723 | - | 365,723 | 46,196 |
| | <u>35,900,218</u> | <u>-</u> | <u>35,900,218</u> | <u>32,294,650</u> |
| Expenses | | | | |
| Program services | | | | |
| Program delivery | 16,232,462 | - | 16,232,462 | 16,511,457 |
| Clinical research and program demonstration projects | 12,657,315 | - | 12,657,315 | 10,764,981 |
| Training and education | 659,088 | - | 659,088 | 398,045 |
| | <u>29,548,865</u> | <u>-</u> | <u>29,548,865</u> | <u>27,674,483</u> |
| Supporting services - Management and general | 4,042,062 | - | 4,042,062 | 4,322,963 |
| | <u>33,590,927</u> | <u>-</u> | <u>33,590,927</u> | <u>31,997,446</u> |
| Change in Net Assets | 2,309,291 | - | 2,309,291 | 297,204 |
| Net Assets, Beginning of Year | <u>12,548,262</u> | <u>65,417</u> | <u>12,613,679</u> | <u>12,316,475</u> |
| Net Assets, End of Year | <u>\$ 14,857,553</u> | <u>\$ 65,417</u> | <u>\$ 14,922,970</u> | <u>\$ 12,613,679</u> |

**The Hektoen Institute of Medicine and Its Wholly Owned
Subsidiary, The Hektoen Institute of Medicine, LLC**

Consolidated Statements of Functional Expenses
Year Ended August 31, 2012 with Comparative Totals for 2011

| | Program Services | | | | Management and General | 2012 Consolidated Total | 2011 Consolidated Total |
|----------------------------------|----------------------|--|---------------------------|----------------------|---------------------------|-------------------------------|-------------------------------|
| | Program Delivery | Clinical Research and Program Demonstration Projects | Training and Education | Total | | | |
| Salaries and wages | \$ 9,299,507 | \$ 5,182,450 | \$ 310,862 | \$ 14,792,819 | \$ 1,932,499 | \$ 16,725,318 | \$ 15,995,764 |
| Employee benefits | 3,446,148 | 1,889,331 | 109,639 | 5,445,118 | 626,433 | 6,071,551 | 5,992,790 |
| Stipends | 230,054 | 46,506 | 150 | 276,710 | - | 276,710 | 290,692 |
| Participant fees and assistance | 646,325 | 446,231 | 2,105 | 1,094,661 | - | 1,094,661 | 818,482 |
| Subcontractors | 569,586 | 2,098,599 | 16,454 | 2,684,639 | 160,414 | 2,845,053 | 2,376,641 |
| Honorariums | 2,940 | 4,725 | 4,400 | 12,065 | - | 12,065 | 12,728 |
| Case management and consulting | 952,591 | 1,358,085 | 130,496 | 2,441,172 | 294,154 | 2,735,326 | 3,121,617 |
| Maintenance and repairs | 68,224 | 130,503 | 18,700 | 217,427 | 83,340 | 300,767 | 303,177 |
| Lab supplies | 321,745 | 537,342 | 23,464 | 882,551 | 10,175 | 892,726 | 517,153 |
| Legal and accounting | 77 | - | - | 77 | 179,712 | 179,789 | 256,216 |
| Office and computer supplies | 289,698 | 413,608 | 12,012 | 715,318 | 91,736 | 807,054 | 854,974 |
| Reproduction and books | 25,556 | 48,833 | 1,282 | 75,671 | 4,140 | 79,811 | 66,034 |
| Travel | 150,897 | 235,946 | 12,056 | 398,899 | 23,968 | 422,867 | 342,428 |
| Telephone | 129,379 | 52,056 | 2,367 | 183,802 | 66,090 | 249,892 | 183,913 |
| Insurance | 24,840 | - | - | 24,840 | 170,863 | 195,703 | 275,906 |
| Depreciation | - | - | - | - | 52,384 | 52,384 | 82,625 |
| Facility costs | 56,011 | 158,655 | 12,924 | 227,590 | 81,530 | 309,120 | 242,955 |
| Investment fees | - | - | - | - | 1,648 | 1,648 | 5,899 |
| Miscellaneous | 18,884 | 54,445 | 2,177 | 75,506 | 262,976 | 338,482 | 257,452 |
| Total Functional Expenses | \$ 16,232,462 | \$ 12,657,315 | \$ 659,088 | \$ 29,548,865 | \$ 4,042,062 | \$ 33,590,927 | \$ 31,997,446 |

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Consolidated Statements of Cash Flows
Years Ended August 31, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|--|----------------------------|-------------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 2,309,291 | \$ 297,204 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation | 52,384 | 82,625 |
| Net realized and unrealized gain on investments | (600,272) | (640,375) |
| Receipt of donated securities | (74,592) | (204,299) |
| (Increase) decrease in | | |
| Accounts receivable | (538,167) | (953,471) |
| Interest receivable | (27,458) | 30,822 |
| Expense advances | 40,193 | (65,148) |
| Prepaid expenses | 18,888 | 1,259 |
| Inventory | (31,889) | (23,459) |
| Increase (decrease) in | | |
| Due to Bureau of Health Services | 829,187 | 391,759 |
| Accrued vacation | (60,635) | (26,377) |
| Accounts payable | 210,492 | (238,737) |
| Amounts held on behalf of others | 1,795,712 | (102,676) |
| Deferred revenue | (31,500) | 966,942 |
| Deferred rent | (7,445) | (10,011) |
| | <u>3,884,189</u> | <u>(493,942)</u> |
| Net Cash Provided by (Used in) Operating Activities | | |
| | <u>3,884,189</u> | <u>(493,942)</u> |
| Cash Flows from Investing Activities | | |
| Purchase of computer equipment and software | - | (8,758) |
| Purchases of investment securities | (4,697,671) | (8,690,893) |
| Proceeds from sales of investments | 4,364,666 | 8,385,413 |
| | <u>(333,005)</u> | <u>(314,238)</u> |
| Net Cash Used in Investing Activities | | |
| | <u>(333,005)</u> | <u>(314,238)</u> |
| Net Cash (Used in) Provided by Financing Activities - Change in checks issued in excess of funds on deposit | <u>(340,638)</u> | <u>340,638</u> |
| Net Increase (Decrease) in Cash | 3,210,546 | (467,542) |
| Cash, Beginning of Year | <u>19,470</u> | <u>487,012</u> |
| Cash, End of Year | <u><u>\$ 3,230,016</u></u> | <u><u>\$ 19,470</u></u> |

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

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations

Organization

The Hektoen Institute of Medicine, formerly The Hektoen Institute for Medical Research, was established in 1943 as a research affiliate of John H. Stroger Jr. Hospital of Cook County. The Hektoen Institute of Medicine acts as the administrative and fiscal agent for most of the research and clinical service awards to Cook County Bureau of Health Services investigators at the hospitals and units comprising the Cook County system, either directly or indirectly through its wholly owned subsidiary, The Hektoen Institute of Medicine, LLC (the LLC). The awards administered include federal, state, city, private and foundation grants as well as contracts for clinical trials and multi-center awards. The Hektoen Institute of Medicine and its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC (collectively known as the Institute) also conducts cancer and kidney research in its proprietary laboratories supported by investment income and research grants.

Description of Program and Supporting Services

The medical service programs administered by the Institute are on behalf of a wide variety of organizations including the Cook County Bureau of Health Services and its affiliated agencies and organizations, the University of Illinois at Chicago, the Chicago Department of Public Health, the Illinois Hospital Association and other smaller community-based agencies. Virtually all of the Institute's programs and affiliations focus on improving health care and the health care delivery systems for under-served citizens of Cook County, especially those with historically poor access to high-quality health services. The following program and supporting services are included in the accompanying consolidated financial statements.

Program Delivery

The majority of the program delivery activities of the Institute are made on behalf of the Cook County Bureau of Health Services, whose grants, contracts and cooperative agreements are received by the Institute. The services administered are very wide-ranging. The Institute's largest programs focus on health care for patients with HIV/AIDS. The Institute's other medical care delivery programs include many aspects of internal medicine, pediatrics, psychiatry, obstetrics and gynecology, geriatrics, surgery and support services such as laboratory, radiology and pharmacy.

Clinical Research and Program Demonstration Projects

The Institute manages many clinical research and program demonstration projects for affiliated agencies. The range of clinical research activities includes medical and behavioral interventions and clinical trials, as well as cohort, observational and natural history studies. The Institute's program demonstration projects focus on novel, efficient or efficacious methodologies of service delivery. These programs range from cost studies of substance abuse integration into the primary care model of an HIV clinic to a wide variety of new projects focusing on bioterrorism, among many others.

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations (Continued)

Training and Education

The Institute supports the training and educational mission of its affiliates. Most of the Institute's efforts in this category are made on behalf of the Cook County Bureau of Health Services. The Institute's training grants focus on the education of faculty, fellows and residents. The Institute participates in a variety of projects offering continuing medical education programs to the staff of the Cook County Bureau of Health Services and to other medical providers in the community. The Institute has projects that focus on patient and community education for specific diseases or specific aspects of care.

Management and General

Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Institute's program strategy through the office of the President; secure proper administrative functioning of the Board of Directors; maintain competent legal services for the program administration of the Institute; and manage the financial and budgetary responsibilities of the Institute. The Institute works with affiliates and other agencies to produce and manage large multi-institutional sponsored projects and programs and to create and manage large new projects for affiliated organizations. The Institute's grants administration operation is full-service, providing support to the investigators, staff and funding agencies while overseeing the fiscal and operational integrity of sponsored projects.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Institute and the LLC. All intercompany transactions have been eliminated in consolidation.

The consolidated financial statement presentation follows accounting principles generally accepted in the United States of America (GAAPUSA). Under GAAPUSA, the Institute is required to report information regarding its financial position and activities according to three classes of net assets, which are unrestricted, temporarily restricted and permanently restricted. The existing classes of net assets are defined as follows:

Unrestricted - Amounts currently available for use in the Institute's operations. These include any designated amounts the Board has set aside for lab operations and future administrative costs.

Temporarily Restricted - Amounts stipulated by donors to be used after a specific time or for a specific purpose. The Institute has no temporarily restricted net assets.

Permanently Restricted - Amounts stipulated by donors to be maintained permanently.

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Comparative Financial Information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAPUSA. Accordingly, such information should be read in conjunction with the Institute's consolidated financial statements for the year ended August 31, 2011 from which the summarized information was derived.

Cash

The Institute maintains its cash in bank deposit accounts, primarily at JPMorgan Chase Bank, N.A., which at times may exceed federally insured limits. The Institute has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash.

Fair Value Measurements

Effective September 1, 2010, the Institute adopted new guidance that requires the Institute to report significant transfers between Level 1 and Level 2 and the reasons for those transfers, as well as disclosing the reasons for transfers in or out of Level 3. Additionally, the guidance requires the Institute to clarify existing disclosure requirements about the level of disaggregation and inputs and valuation techniques. The adoption of this guidance resulted in a greater level of disaggregation and additional disclosures about inputs and valuation techniques.

The new guidance also requires the reconciliation of changes in Level 3 fair value measurements to present purchases, sales and settlements separately on a gross basis rather than as a net amount, effective for fiscal years beginning after December 15, 2010. The adoption of the guidance for Level 3 activity did not have an impact on its consolidated financial statements.

Investments

Investments are reported at fair value. Investment income, including net realized and unrealized gains/losses, is reflected in the statement of activities as an increase/decrease in net assets.

The Institute's investments are exposed to various risks such as interest rate, credit and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near future and will materially affect the amounts reported in the consolidated financial statements.

Computer and Laboratory Equipment

The Institute's property and equipment is depreciated on the straight-line method over their estimated useful lives of five years.

Purchased equipment in excess of \$5,000 is capitalized at cost. All other purchased equipment, repairs and maintenance are expensed as incurred.

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Public Support and Revenue Recognition

Contributions, including unconditional promises to give and certain grants, are recorded when pledged by the donor. 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 (i.e., 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 statement of activities as net assets released from restrictions.

Revenue from government grants and contracts for use in specific activities is recognized in the period during which expenditures were incurred in compliance with the grantor's restrictions. Cash received in excess of revenue recognized is recorded as deferred revenue.

Grants receivable represent actual grant expenses incurred but not reimbursed as of August 31, 2012 and 2011. Management determines the allowance for uncollectible accounts by reviewing and identifying specific troubled accounts on an annual basis by using historical experience with the grants. No allowance for uncollectible accounts was recorded as of August 31, 2012 and 2011. Receivables are written off when deemed uncollectible.

Amounts Held on Behalf of Others

The Institute adopted the accounting treatment prescribed by GAAPUSA, "Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others," and, accordingly, records the funds received on behalf of others as a liability related to amounts held on behalf of others.

Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Certain indirect expenditures that benefit more than one program are allocated to the benefited program based on allocation formulas developed in accordance with OMB Circular A-122, *Cost Principles for Non-Profit Organizations*. The Institute charges indirect costs to grantors based on negotiated rates with the respective grantors. The Institute records grant administrative income when indirect cost recovery reimbursement from the grantor is received.

Income Taxes

The Institute is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and its related income is exempt from federal income tax under IRC 501(a). In addition, the Institute qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under section 509(a)(2).

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies

Income Taxes (Continued)

The Institute's application of GAAPUSA regarding uncertain tax positions had no effect on its financial position as management believes the Institute has no material unrecognized income tax liabilities. The Institute would account for any potential interest or penalties related to possible future liabilities for unrecognized income tax liabilities as income tax expense. The Institute is no longer subject to examination by tax authorities for federal and state income taxes for periods before 2009.

Endowment

GAAPUSA addresses the net asset classification of donor restricted endowment funds for organizations subject to an enacted version of the 2006 Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA was enacted in Illinois effective June 30, 2009. A key component of UPMIFA is a requirement to classify the portion of donor restricted endowment assets that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure.

Management Estimates

The preparation of consolidated financial statements in conformity with GAAPUSA requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Institute has evaluated subsequent events through February 4, 2013, the date the financial statements were available to be issued.

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Notes to Consolidated Financial Statements

Note 3 - Fair Value Measurements

GAAPUSA defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. GAAPUSA describes three approaches to measuring the fair value of assets and liabilities: the market approach, the income approach and the cost approach. Each approach includes multiple valuation techniques. GAAPUSA does not prescribe which valuation technique should be used when measuring fair value, but does establish a fair value hierarchy that prioritizes the inputs used in applying the various techniques. Inputs broadly refer to the assumptions that market participants use to make pricing decisions, including assumptions about risk. Level 1 inputs are given the highest priority in the hierarchy while Level 3 inputs are given the lowest priority. Financial assets and liabilities carried at fair value are classified in one of the following three categories based upon the inputs to the valuation technique used:

- Level 1 - Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3 - Unobservable inputs that are not corroborated by market data. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The Institute currently uses no Level 3 inputs.

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Notes to Consolidated Financial Statements

Note 3 - Fair Value Measurements (Continued)

The following table sets forth by level within the fair value hierarchy the Institute's financial assets and liabilities that were accounted for at fair value on a recurring basis as of August 31, 2012 and 2011. As required by GAAPUSA, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Institute's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect their placement within the fair value hierarchy levels.

| Description | Fair Values as of August 31, 2012 | Recurring Fair Value Measurements as of Reporting Date Using: | | |
|---|-----------------------------------|--|---|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| SPDR Trust Series 1 - Equity Index Fund | \$ 2,239,786 | \$ 2,239,786 | \$ - | \$ - |
| Large cap equity funds | 781,869 | 781,869 | - | - |
| Mid/small cap equity funds | 999,208 | 999,208 | - | - |
| International equity funds | 1,850,944 | 1,850,944 | - | - |
| Preferred stock | 1,057,977 | 646,310 | 411,667 | - |
| Real estate equity funds | 364,522 | 364,522 | - | - |
| Commodity equity funds | 680,509 | 680,509 | - | - |
| Short-term corporate bonds | 2,273,210 | 2,273,210 | - | - |
| Bank common fixed income funds | 2,431,910 | - | 2,431,910 | - |
| Fixed income corporate bonds | 2,758,518 | 2,758,518 | - | - |
| Fixed income U.S. government and agency bonds | 910,283 | - | 910,283 | - |
| Money market funds | 590,232 | 590,232 | - | - |
| | \$ 16,938,968 | \$ 13,185,108 | \$ 3,753,860 | \$ - |

| Description | Fair Values as of August 31, 2011 | Recurring Fair Value Measurements as of Reporting Date Using: | | |
|---|-----------------------------------|--|---|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| SPDR Trust Series 1 - Equity Index Fund | \$ 1,939,265 | \$ 1,939,265 | \$ - | \$ - |
| Large cap equity funds | 685,201 | 685,201 | - | - |
| Mid/small cap equity funds | 896,704 | 896,704 | - | - |
| International equity funds | 1,794,062 | 1,794,062 | - | - |
| Real estate equity funds | 317,769 | 317,769 | - | - |
| Commodity equity funds | 712,892 | 712,892 | - | - |
| Short-term corporate bonds | 964,501 | 964,501 | - | - |
| Short-term U.S. government and agency bonds | 72,773 | - | 72,773 | - |
| Bank common fixed income funds | 2,251,130 | - | 2,251,130 | - |
| Fixed income corporate bonds | 3,671,771 | 3,259,043 | 412,728 | - |
| Fixed income U.S. government and agency bonds | 885,799 | - | 885,799 | - |
| Money market funds | 1,739,232 | 1,739,232 | - | - |
| | \$ 15,931,099 | \$ 12,308,669 | \$ 3,622,430 | \$ - |

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Notes to Consolidated Financial Statements

Note 3 - Fair Value Measurements (Continued)

Level 1 Inputs

Estimated fair values for the Institute's equity funds, corporate bonds, preferred stock and money market funds were based on quoted market prices in an active market.

Level 2 Inputs

Estimated fair value for the Institute's U.S. government and agency bonds, preferred stock, bank common fixed income funds and fixed income corporate bonds were based on similar investments that are traded on the secondary market.

Note 4 - Amounts Held on Behalf of Others

Amounts held on behalf of others as of August 31, 2012 and 2011 is comprised of unexpended grant funds in the following categories:

| | <u>2012</u> | <u>2011</u> |
|--|---------------------|---------------------|
| Pharmaceutical studies | \$ 1,310,559 | \$ 1,070,879 |
| Medical research and educational funds | 2,041,572 | 2,025,505 |
| Medical equipment purchases | 1,159,745 | - |
| Other grants and accounts | <u>1,844,949</u> | <u>1,464,729</u> |
| | <u>\$ 6,356,825</u> | <u>\$ 4,561,113</u> |

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Notes to Consolidated Financial Statements

Note 5 - Operating Leases

On May 1, 2009, the LLC moved into a new office space. The Institute has another lease for storage space. The LLC recognizes rent expense evenly over the lease period as required under GAAPUSA.

The following is a schedule by year of future minimum rent payments required under leases that have initial or remaining noncancelable lease terms in excess of one year as of August 31, 2012.

| Year Ending August 31: | |
|------------------------|--------------------------|
| 2013 | \$ 133,168 |
| 2014 | 136,256 |
| 2015 | 112,833 |
| 2016 | 96,362 |
| 2017 | 98,289 |
| Thereafter | <u>66,394</u> |
| | <u><u>\$ 643,302</u></u> |

Total rent expense was \$83,123 and \$77,267 for the years ended August 31, 2012 and 2011, respectively.

Note 6 - Retirement Plan

The Institute maintains a 403(b) contributory retirement plan. Eligible employees may elect coverage after one year of service. The Institute makes a matching contribution up to 6%. Retirement contributions on behalf of employees for the years ended August 31, 2012 and 2011 were \$437,942 and \$451,895, respectively.

Note 7 - Related Parties

The Institute has incurred legal fees of \$51,286 and \$28,352 for the years ended August 31, 2012 and 2011, respectively, from the firm of an attorney who serves on the Board of Directors. These services were provided at rates consistent with the market rates for not-for-profit organizations.

Note 8 - Contingent Liabilities

The Institute has received financial assistance, in the form of grants and awards, which require periodic audits. As a result of these audits, certain costs might be questioned as not being appropriate expenditures under the assistance agreements. Such audits might require the refund of monies to the grantor. The Institute does not believe that any provision for refunds should be accrued in the consolidated financial statements.

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Notes to Consolidated Financial Statements

Note 9 - Concentrations

The Institute receives a significant portion of its revenue and other support from several governmental agencies, predominantly the Department of Health and Human Services. Substantially all of the Institute's grants receivable are due from the aforementioned governmental agencies, specifically the Department of Health and Human Services. If these governmental agencies terminated their support of the Institute, the Institute's ability to provide the services described in Note 1 could be significantly reduced.

Substantially all of the Institute's nonmanagement and nonprofessional employees are members of the Service Employees International Union (SEIU or the Union) Local 73HC. The Union represents approximately 25% of the Institute's workforce.

Note 10 - Endowment

Endowment

The Institute's endowment consists of an individual donor restricted fund restricted for clinical research. As required by GAAPUSA, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. There are no board-designated endowment funds.

Interpretation of Relevant Law

The Institute has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Institute classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment and (2) the original value of subsequent gifts to the permanent endowment and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the donor-restricted endowment funds
3. General economic conditions
4. The expected total return from income and the appreciation of investments
5. Other resources of the Institute
6. The investment policy of the Institute

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Notes to Consolidated Financial Statements

Note 10 - Endowment (Continued)

Return Objectives and Risk Parameters

The long-term objective for the funds adopted by the Institute is to generate additional cash flow to help support clinical research. The funds are invested within the investment portfolio of the Institute. (See Note 3.)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Institute to retain as a fund of perpetual duration. In accordance with GAAPUSA, deficiencies of this nature that are reported in unrestricted net assets were \$50 and \$2,368 as of August 31, 2012 and 2011, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of the permanently restricted contribution.

Endowment net asset composition by type of fund as of August 31, 2012.

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|----------------------------|---------------------|-----------------------------------|-----------------------------------|------------------|
| Donor-restricted endowment | <u>\$ (50)</u> | <u>\$ -</u> | <u>\$ 65,417</u> | <u>\$ 65,367</u> |

Changes in endowment net assets for the year ended August 31, 2012.

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|------------------|
| Endowment net assets, beginning of year | \$ (2,368) | \$ - | \$ 65,417 | \$ 63,049 |
| Net investment return | <u>2,318</u> | <u>-</u> | <u>-</u> | <u>2,318</u> |
| Endowment net assets, end of year | <u>\$ (50)</u> | <u>\$ -</u> | <u>\$ 65,417</u> | <u>\$ 65,367</u> |

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Notes to Consolidated Financial Statements

Note 10 - Endowment

Funds with Deficiencies (Continued)

Endowment net asset composition by type of fund as of August 31, 2011.

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|----------------------------|---------------------|-----------------------------------|-----------------------------------|------------------|
| Donor-restricted endowment | <u>\$ (2,368)</u> | <u>\$ -</u> | <u>\$ 65,417</u> | <u>\$ 63,049</u> |

Changes in endowment net assets for the year ended August 31, 2011.

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|------------------|
| Endowment net assets, beginning of year | \$ (4,998) | \$ - | \$ 65,417 | \$ 60,419 |
| Net investment return | <u>2,630</u> | <u>-</u> | <u>-</u> | <u>2,630</u> |
| Endowment net assets, end of year | <u>\$ (2,368)</u> | <u>\$ -</u> | <u>\$ 65,417</u> | <u>\$ 63,049</u> |

Note 11 - Line of Credit

Effective September 20, 2011, the Institute signed a \$2,000,000 line of credit agreement with JPMorgan Chase Bank, N.A. to help fund short-term operating cash flow needs. Borrowings under this line of credit bear interest at the lesser of Libor + 2.25% or Prime Rate. The effective interest rate as of August 31, 2012, was Libor + 2.25%, or 2.5%. Also, these borrowings are secured by all the investments the Institute holds with JPMorgan Chase Bank, N.A. The line of credit agreement expires on October 31, 2013, but it is management's expectation that this agreement will be renewed by the bank or that a similar agreement with another lender will be concluded. As of August 31, 2012, there were no outstanding borrowings on the line of credit.

**The Hektoen Institute of Medicine and Its Wholly Owned
Subsidiary, The Hektoen Institute of Medicine, LLC**

Compliance

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Schedule of Expenditures of Federal Awards Year Ended August 31, 2012

| Federal Grantor/Pass-Through - Grantor/Program Title | CFDA # | Grant ID | Grantor's Number | Federal Expenditures |
|--|---------|----------|--------------------|-------------------------|
| US. Department of Housing and Urban Development Pass-Through City of Chicago Department of Public Health TaskForce Prevention and Community Services | 14.218 | 65084 | 23584-1 | \$ 26,172 |
| US. Department of Housing and Urban Development Pass-Through AIDS Foundation of Chicago AFC Case Management | 14.235 | 80018 | None | 26,393 |
| U.S. Department of Justice Violence Against Women Office ARRA OVW TA Provider Grant | 16.526* | 1176 | 2010-ET-S6-K016 | 304,657 |
| OVW TA Provider Grant | 16.526* | 1321 | 2008-TA-AX-K003 | 3,806 |
| Substance Abuse (TA) | 16.526* | 1066 | 90EV0349/01 | 53,866 |
| Total 16.526 | | | | 362,329 |
| End Violence Against Woman | 16.529 | 1163 | 2007-FW-AX-K004 | 31,806 |
| Bureau of Justice Assistance Justice & Mental Health Collaboration Program | 16.745 | 2545 | 10-41-87 | 64,889 |
| U.S. Environmental Protection Agency Pass-Through University of Chicago First -Net - Curriculum for Healthcare Providers | 66.469 | 4466 | GL-00E00536-0 | 1,892 |
| U.S Department of Education Pass-Through Illinois Department of Human services Early Intervention and Family Connections | 84.181 | 2205 | 11GQ01342 | 446,984 |
| Total 84.181 | | | | |
| U.S. Department of Health and Human Services Pass-Through Illinois Department of Human Services- School Health Centers/For Children Health Programs | 93.667 | 2375 | Q11GQ01673 | 101,706 |
| Family Planning Service | 93.667 | 2413 | 11GQ01653 | 228,524 |
| Total 93.667 | | | | 330,230 |
| Pass-Through City of Chicago Department of Public Health TB Control | 93.116 | 2555 | 19753-4 | 89,395 |
| TB Control | 93.116 | 2556 | 26908-1 | 495,516 |
| Total 93.116 | | | | 584,911 |
| Pass-Through CORE Foundation CORE L2L Program | 93.137 | 7037 | | 17,233 |
| Health Resources and Services Administration Ryan White Title IV Program | 93.153 | 50209 | 6 H12HA00031-21-00 | 1,281,763 |
| Ryan White Title IV Program | 93.153 | 50210 | 1 H12HA24803-01-00 | 81,351 |
| Ryan White Title IV Program | 93.153 | 51411 | 5 H12HA00099-14-00 | 425,092 |
| Ryan White Title IV Program | 93.153 | 51421 | 3 H12HA00099-13-01 | 39,210 |
| Total 93.153 | | | | 1,827,416 |
| Pass-Through Illinois Department of Human Services- Family Planning Program X | 93.217 | 6019 | Q11GQ01018 | 147,660 |
| Family Planning Program X | 93.217 | 6020 | FCSRE01175 | 20,829 |
| Family Planning Service | 93.217 | 2413 | 11GQ01653 | 294,490 |
| Family Planning Service | 93.217 | 2414 | FCSRE01253 | 66,488 |
| Total 93.217 | | | | 529,467 |
| Substance Abuse and Mental Health Service Administration H-STAR Program | 93.243 | 1983 | 5H79TI019858-03 | 159,723 |
| H-STAR Program | 93.243 | 1984 | 5H79TI019858-04 | 421,880 |
| Pass-Through (NIH) Broadening the BRIGHTEN Program | 93.243 | 4028 | 1H795M058673-01 | 577 |
| Total 93.243 | | | | 582,180 |

* Identified as a major program

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Schedule of Expenditures of Federal Awards Year Ended August 31, 2012

| Federal Grantor/Pass-Through - Grantor/Program Title | CFDA # | Grant ID | Grantor's Number | Federal Expenditures |
|--|------------|----------|--------------------|-------------------------|
| Pass-Through(HRSA) Metropolitan Chicago Health Care Council | | | | |
| Emergency Medicine Toxicology | 93.253 | 3915 | None | \$ 9,905 |
| Emergency Medicine Toxicology | 93.253 | 3918 | None | 33,817 |
| Total 93.253 | | | | <u>43,722</u> |
| Pass-Through (NIH) Westat, Inc. | 93.279 | 82106 | 2 U01 HD040474-11 | 87,719 |
| Pass-Through (NIH) Westat, Inc. | 93.279 | 82107 | 2 U01 HD040474-12 | 97,287 |
| Pass-Through (NIH) Westat, Inc. | 93.279 | 82126 | 2 U01 HD040474-11 | 7,911 |
| Pass-Through (NIH) Westat, Inc. | 93.279 | 82127 | 2 U01 HD040474-12 | 33,909 |
| Pass-Through (NIH) Westat, Inc. | 93.279 | 82143 | 2 U01 HD040474-11 | 33,256 |
| Pass-Through (NIH) Rush University | 93.279 | 90072 | 5U10DA013732 | 246,142 |
| Total 93.279 | | | | <u>506,224</u> |
| Centers for Disease Control | | | | |
| Chicago Prevention and Intervention Epicenter | 93.283 | 1046 | 1U54CK000161-01 | 292,096 |
| Chicago Prevention and Intervention Epicenter | 93.283 | 1048 | 5U54CK000161-01 | 169,852 |
| Chicago Prevention and Intervention Epicenter | 93.283 | 1049 | 5U54CK000161-02 | |
| Regional Intervention to Prevent Emergence Carbapenem | 93.283 | 1226 | 200-2011-M-41103 | 8,570 |
| Intergovernmental Personnel Act | 93.283 | 50021 | 121PA1206562 | 73,245 |
| Pass-Through (CDC)City of Chicago Department of Public Health | | | | |
| Reach 2010: Lawndale Health Promotion Project | 93.283 | 2905 | 24447-1 | 3,023 |
| Pass-through (CDC) Illinois Department of Public Health | | | | |
| I-NEEDS ELR Implementation | 93.283 | 60025 | 15180100 | 353,630 |
| Total 93.283 | | | | <u>900,416</u> |
| Health Resources and Services Administration | | | | |
| ARRA- Training in Primary Care Medicine and Dentistry | 93.403* | 1036 | 1 D5FHP20671-01-00 | 187,267 |
| Pass-through (CDC) Illinois Department of Public Health | | | | |
| Building Epidemiology, Laboratory HISID | 93.521 | 2106 | 22680063 | 257,945 |
| Improving Hospital -Base Antimicrobial | 93.521 | 2115 | 22680119 | 12,075 |
| Epidemiology and Laboratory Capacity | 93.521 | 2436 | 22680166 | 40,758 |
| Total 93.521 | | | | <u>310,778</u> |
| Department Health and Human Services | | | | |
| Pass-through (CDC) Illinois Department of Public Health | | | | |
| A Category B Community Transformation Implementation | 93.531 | 2053 | 22680237 | 30,668 |
| Pass-through (CDC) Illinois Department of Public Health | | | | |
| Public Health Prevention Fund (PHPF) | 93.540 | 3886 | 22680166 | 143,951 |
| Centers for Disease Control | | | | |
| Chicago Prevention and Intervention Epicenter | 93.540 | 1047 | 5U54CK000161-02 | 144,726 |
| Chicago Prevention and Intervention Epicenter | 93.540 | 1049 | 5U54CK000161-02 | 39,525 |
| Total 93.540 | | | | <u>328,202</u> |
| Pass-Through (CDC) City of Chicago Department of Public Health | | | | |
| Reach 2010: Lawndale Health Promotion Project | 93.541 | 2906 | 24447-2 | 30,290 |
| Pass-Through Illinois Department of | | | | |
| Children and Family Services - Project First love | 93.551 | 60008 | 1530459021 | 8,930 |
| Children and Family Services - Project First love | 93.551 | 60009 | 1530459022 | 211,416 |
| Children and Family Services - Project First love | 93.551 | 60010 | 1530459023 | 32,844 |
| Total 93.551 | | | | <u>253,190</u> |
| Administration of Children and Families | | | | |
| Family Violence Prevention and Service Program | 93.592 | 1188 | 90EV040003 | 58,677 |
| Family Violence Prevention and Service Program | 93.592 | 1055 | 90EV0417/01 | 768,201 |
| Total 93.592 | | | | <u>826,878</u> |
| Pass-Through (CDC) - Illinois Department of Public Health | | | | |
| ARRA - ELR Electronic Lab Records | 93.717* | 2432 | 12680041 | 244,858 |
| NIH -Measuring Health -Related Trust in Diverse Populations | 93.Unknown | 1236 | 5R21HD057473-02 | 32,944 |

* Identified as a major program

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Schedule of Expenditures of Federal Awards Year Ended August 31, 2012

| Federal Grantor/Pass-Through - Grantor/Program Title | CFDA # | Grant ID | Grantor's Number | Federal Expenditures |
|---|----------|----------|--------------------|-------------------------|
| Health Resources and Services Administration | | | | |
| Family Development in Primary Care | 93.884 | 1026 | 5 D55HP20647-02-00 | \$ 197,000 |
| Family Development in Primary Care | 93.884 | 1027 | D55HP20647-03-00 | 14,621 |
| Total 93.884 | | | | <u>211,621</u> |
| HRSA - Beloved Community Family Wellness Center | 93.887 | 1492 | 4 C76HF10376-01-05 | <u>22,107</u> |
| Pass-Through - (HRSA/CDPH) Metropolitan Chicago Health Council | | | | |
| ASPR Emergency Medicine Department | 93.889 | 3925 | None | 3,296 |
| ASPR Emergency Medicine Department | 93.889 | 3926 | None | 2,293 |
| Total 93.889 | | | | <u>5,589</u> |
| Pass-Through (HRSA) City of Chicago Department of Public Health | | | | |
| Part A RWTMA Core Ambulatory Medical Care | 93.914 * | 67081 | 23784-1 | 688,310 |
| Part A RWTMA Core Dental | 93.914 * | 67082 | 23784-1 | 129,908 |
| Part A RWTMA Core Mental Health | 93.914 * | 67083 | 23784-1 | 148,050 |
| Part A RWTMA Core Substance Abuse | 93.914 * | 67084 | 23784-1 | 182,948 |
| Part A RWTMA Core Psychosocial | 93.914 * | 67085 | 23784-1 | 21,435 |
| Part A RWTMA Core Out Reach Services | 93.914 * | 67086 | 23784-1 | 33,961 |
| Part A RWTMA Core Early Intervention Services | 93.914 * | 67087 | 23784-1 | 106,471 |
| Part A RWTMA Core Administrative Cost | 93.914 * | 67089 | 23784-1 | 241,537 |
| Part A RWTMA Core Ambulatory Medical Care | 93.914 * | 67091 | 23784-2 | 560,381 |
| Part A RWTMA Core Dental | 93.914 * | 67092 | 23784-2 | 63,261 |
| Part A RWTMA Core Mental Health | 93.914 * | 67093 | 23784-2 | 127,229 |
| Part A RWTMA Core Substance Abuse | 93.914 * | 67094 | 23784-2 | 139,124 |
| Part A RWTMA Core Psychosocial | 93.914 * | 67095 | 23784-2 | 34,258 |
| Part A RWTMA Core Out Reach Services | 93.914 * | 67096 | 23784-2 | 31,743 |
| Part A RWTMA Core Early Intervention Services | 93.914 * | 67097 | 23784-2 | 59,058 |
| Part A RWTMA Core Administrative Cost | 93.914 * | 67099 | 23784-9 | 99,417 |
| MAI Austin Ambulatory Medical Care | 93.914 * | 67381 | 23800-1 | 268,206 |
| MAI Austin Clinic Mental Health | 93.914 * | 67382 | 23800-1 | 103,711 |
| MAI Austin Clinic Psychosocial | 93.914 * | 67383 | 23800-1 | 40,687 |
| MAI Austin Administrative | 93.914 * | 67384 | 23800-1 | 70,200 |
| MAI Austin Ambulatory Medical Care | 93.914 * | 67391 | 23800-2 | 243,760 |
| MAI Austin Clinic Mental Health | 93.914 * | 67392 | 23800-2 | 56,466 |
| MAI Austin Clinic Psychosocial | 93.914 * | 67393 | 23800-2 | 22,985 |
| MAI Austin Administrative | 93.914 * | 67394 | 23800-2 | 31,802 |
| Part A RWTMA Provident Hospital Ambulatory Medical Care | 93.914 * | 67681 | 23801-1 | 361,519 |
| Part A RWTMA Provident Hospital Oral Care | 93.914 * | 67682 | 23801-1 | 73,953 |
| Part A RWTMA Provident Hospital Mental | 93.914 * | 67683 | 23801-1 | 64,915 |
| Part A RWTMA Provident Hospital Substance Abuse | 93.914 * | 67684 | 23801-1 | 80,610 |
| Part A RWTMA Provident Ambulatory Medical Care - Carryover | 93.914 * | 67685 | 23801-1 | 52,697 |
| Part A RWTMA Provident Oral Health - Carryover | 93.914 * | 67686 | 23801-1 | 69,835 |
| Part A RWTMA Provident Mental Health - Carryover | 93.914 * | 67687 | 23801-1 | 10,000 |
| Part A RWTMA Provident Substance Abuse - Carryover | 93.914 * | 67688 | 23801-1 | 10,000 |
| Part A RWTMA Provident Hospital Administrative Cost | 93.914 * | 67689 | 23801-1 | 120,755 |
| Part A RWTMA Provident Hospital Ambulatory Medical Care | 93.914 * | 67691 | 23801-2 | 358,496 |
| Part A RWTMA Provident Hospital Oral Care | 93.914 * | 67692 | 23801-2 | 95,764 |
| Part A RWTMA Provident Hospital Mental | 93.914 * | 67693 | 23801-2 | 43,367 |
| Part A RWTMA Provident Hospital Substance Abuse | 93.914 * | 67694 | 23801-2 | 72,582 |
| Part A RWTMA Provident Hospital Administrative Cost | 93.914 * | 67699 | 23801-2 | 56,924 |
| MAI South Suburban Ambulatory Medical Care | 93.914 * | 68481 | 23750-1 | 280,569 |
| Part A South Suburban Mental Health | 93.914 * | 68482 | 23751-1 | 35,111 |
| Part A South Suburban Substance Abuse | 93.914 * | 68483 | 23751-1 | 19,518 |
| Part A South Suburban Psychosocial | 93.914 * | 68484 | 23751-1 | 27,581 |
| MAI South Suburban Outreach Services | 93.914 * | 68485 | 23750-1 | 45,872 |
| MAI South Suburban Early Intervention | 93.914 * | 68486 | 23750-1 | 57,366 |
| Part A South Suburban Oral Health | 93.914 * | 68487 | 23751-1 | 42,998 |
| MAI South Suburban Administrative | 93.914 * | 68488 | 23750-1 | 70,024 |
| Part A South Suburban Administrative | 93.914 * | 68489 | 23751-1 | 17,984 |

* Identified as a major program

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Schedule of Expenditures of Federal Awards Year Ended August 31, 2012

| Federal Grantor/Pass-Through - Grantor/Program Title | CFDA # | Grant ID | Grantor's Number | Federal Expenditures |
|---|----------|----------|------------------|-------------------------|
| MAI South Suburban Ambulatory Medical Care | 93.914 * | 68491 | 23750-1 | \$ 337,034 |
| Part A South Suburban Mental Health | 93.914 * | 68492 | 23751-2 | 19,731 |
| Part A South Suburban Substance Abuse | 93.914 * | 68493 | 23751-2 | 17,105 |
| Part A South Suburban Psychosocial | 93.914 * | 68494 | 23751-2 | 17,835 |
| MAI South Suburban Outreach Services | 93.914 * | 68495 | 23750-2 | 17,301 |
| MAI South Suburban Early Intervention | 93.914 * | 68496 | 23750-2 | 25,595 |
| Part A South Suburban Oral Health | 93.914 * | 68497 | 23751-2 | 12,493 |
| MAI South Suburban Administrative | 93.914 * | 68498 | 23750-2 | 35,165 |
| Part A South Suburban Administrative | 93.914 * | 68499 | 23751-2 | 5,923 |
| Part A RWTMA Project VIDA - Psychosocial | 93.914 * | 67411 | 24320-1 | 25,743 |
| MAI RWTMA Project VIDA - Mental Health | 93.914 * | 67412 | 23808-1 | 19,967 |
| Part A RWTMA Project VIDA - Administrative Cost | 93.914 * | 67413 | 24320-1 | 5,607 |
| MAI RWTMA Project VIDA - Administrative Cost | 93.914 * | 67414 | 23808-1 | 3,230 |
| Part A RWTMA Project VIDA - Psychosocial | 93.914 * | 67421 | 24320-2 | 26,268 |
| MAI RWTMA Project VIDA - Administrative Cost | 93.914 * | 67422 | 23808-2 | 2,605 |
| MAI RWTMA Project VIDA - Mental Health | 93.914 * | 67423 | 24320-2 | 8,210 |
| MAI RWTMA Project VIDA - Administrative Cost | 93.914 * | 67424 | 23808-2 | 821 |
| Pass-Through AIDS Foundation of Chicago | | | | |
| AFC Part A - Core Medical Case Management | 93.914 * | 70413 | None | 161,415 |
| AFC Part A - Core Non-Medical Case Management | 93.914 * | 70414 | None | 52,832 |
| AFC Part A - Core Medical Case Management | 93.914 * | 70415 | None | 98,622 |
| AFC Part A - Core Non-Medical Case Management | 93.914 * | 70416 | None | 37,160 |
| AFC Part A - Provident Medical Case Management | 93.914 * | 70613 | None | 48,857 |
| AFC Part A - Provident Non-Medical Case Management | 93.914 * | 70614 | None | 26,338 |
| AFC Part A - Provident Medical Case Management | 93.914 * | 70615 | None | 68,209 |
| AFC Part A - Provident Non-Medical Case Management | 93.914 * | 70616 | None | 25,085 |
| South Suburban Emergency Client Assistance | 93.914 * | 70810 | None | 3,745 |
| South Suburban Emergency Client Assistance | 93.914 * | 70811 | None | 5,106 |
| AFC Title A Provident - Emergency Client Assistance | 93.914 * | 70910 | None | 4,800 |
| AFC Part A Core - Emergency Client Assistance | 93.914 * | 72209 | None | 7,241 |
| AFC Part A Core - Emergency Client Assistance | 93.914 * | 72210 | None | 5,950 |
| AFC Part A - Austin Medical Case Management | 93.914 * | 73407 | None | 22,272 |
| AFC Part A - Austin Medical Case Management | 93.914 * | 73408 | None | 15,668 |
| AFC Part A - Austin Medical Case Management | 93.914 * | 73713 | None | 46,478 |
| AFC Part A - Austin Medical Case Management | 93.914 * | 73714 | None | 24,065 |
| AFC Part A - South Sub. Medical Case Management | 93.914 * | 73715 | None | 71,710 |
| AFC Part A - South Sub. Non-Medical Case Management | 93.914 * | 73716 | None | 23,223 |
| AFC Part A Austin - Case Management - Emergency Client Assistance | 93.914 * | 73508 | None | 4,962 |
| AFC Part A Austin - Case Management - Emergency Client Assistance | 93.914 * | 73509 | None | 930 |
| AFC Part A - Ambulatory Case Management | 93.914 * | 74013 | None | 32,722 |
| AFC Part A - South Suburban Non-Medical Case Management | 93.914 * | 74014 | None | 4,187 |
| Project VIDA - Part A AFC Medical Case Management Services | 93.914 * | 74015 | None | 47,142 |
| Project VIDA - Part A AFC Non- Medical Case Management Services | 93.914 * | 74016 | None | 5,848 |
| Pass-Through University of Chicago | | | | |
| Expanded HIV Testing for Disproportionately Population | 93.914 * | 90065 | | 23,706 |
| Total 93.914 | | | | 7,022,254 |
| Pass-Through AIDS Foundation of Chicago | | | | |
| AFC - Title II CORE ambulatory | 93.917 | 70009 | None | 29,636 |
| CORE Part B - Outpatient/Ambulatory Health Services | 93.917 | 70010 | None | 38,601 |
| AFC- Part B - Austin Mental Health | 93.917 | 70023 | None | 12,075 |
| AFC- Part B - Austin Mental Health | 93.917 | 70024 | None | 2,813 |
| AFC - Title II CORE Mental Health | 93.917 | 70052 | None | 19,941 |
| AFC - Title II CORE Mental Health | 93.917 | 70053 | None | 18,480 |
| AFC/ CORE - Case Management | 93.917 | 70453 | None | 130,861 |
| AFC/ CORE - Case Management | 93.917 | 70454 | None | 132,801 |
| AFC Part B - Provident Oral Health | 93.917 | 75062 | None | 3,362 |
| AFC Part B - Provident Oral Health | 93.917 | 75162 | None | 52,774 |
| AFC Part B - Provident Oral Health | 93.917 | 75163 | None | 32,814 |
| Total 93.917 | | | | 474,158 |

* Identified as a major program

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Schedule of Expenditures of Federal Awards Year Ended August 31, 2012

| Federal Grantor/Pass-Through - Grantor/Program Title | CFDA # | Grant ID | Grantor's Number | Federal Expenditures |
|---|---------|----------|--------------------|-------------------------|
| Pass-Through Health Resources and Services Administration | | | | |
| Ryan White Part C Outpatient EIS Program | 93.918 | 51109 | 5 H76HA00107-21-00 | \$ 287,087 |
| Ryan White Part C Outpatient EIS Program | 93.918 | 51110 | 5 H76HA00107-22-00 | 402,347 |
| Ryan White Part C Outpatient EIS Program | 93.918 | 53309 | 5 H76HA00107-21-00 | 84,136 |
| Ryan White Part C Outpatient EIS Program | 93.918 | 53310 | 5 H76HA00107-22-00 | 158,020 |
| Total 93.918 | | | | <u>931,590</u> |
| Pass-Through City of Chicago Department of Public Health | | | | |
| Core/Austin Patient Counseling and Referral Services | 93.940 | 69215 | 15612-5 | 47,128 |
| Core Adult Hispanic MSM | 93.940 | 69651 | 14470-8 | 36,012 |
| Core Adult Prevention for Positives | 93.940 | 69652 | 14470-8 | 52,225 |
| Adult Hispanic MSM - Cluster B | 93.940 | 69661 | 25894-1 | 50,267 |
| Adult Prevention w/Positives - Cluster B | 93.940 | 69662 | 25894-1 | 10,720 |
| Adult Prevention w/Positives - Cluster C | 93.940 | 69663 | 25894-1 | 9,599 |
| Adult Black HRH Females- Cluster C | 93.940 | 69664 | 25894-1 | 45,339 |
| Adult Prevention w/Positive - Citywide | 93.940 | 69665 | 25894-1 | 48,936 |
| Cermak Health Center/ Adult Prevention w/Positives | 93.940 | 69426 | 25925-1 | 67,274 |
| Cermak Health Center/ Adult Black HRH Females | 93.940 | 69427 | 25925-1 | 55,325 |
| Pass-Through City of Chicago Department of Public Health | | | | |
| HIV/AIDS Behavioral Surveillance NHBS | 93.940 | 65043 | 17770-5 | 47,878 |
| Total 93.940 | | | | <u>470,703</u> |
| Pass-Through City of Chicago Department of Family and Support Services | | | | |
| ARRA Early Head Start | 93.708 | 20022 | 22450-2 | 66,453 |
| ARRA Early Head Start | 93.708 | 20023 | 22450-3 | 80,514 |
| Total 93.708 | | | | <u>146,967</u> |
| Early Head Start | 93.600 | 20024 | 22450-4 | 424,142 |
| Research and Development Cluster | | | | |
| U.S. Department of Justice | | | | |
| Pass-Through (OVW) Wayne State University | | | | |
| Characterization of Stab/Slash Wound | 16.560* | 4175 | 2011-DE-BX-K002 | 47,905 |
| U.S Department of Health and Human Services | | | | |
| CDC - Randomized Controlled Trial for Intimate Partner Violence Screening Proposal | 93.136* | 1331 | 200-2008-28219 | 62,258 |
| Pass-Through (CDC) Northwestern University | | | | |
| Acquired Pneumonia | 93.185* | 4056 | U18IP00301 | 5,560 |
| Acquired Pneumonia | 93.185* | 4057 | U18IP000490 | 282,940 |
| Total 93.185 | | | | <u>288,500</u> |
| Pass-Through (AHRQ) Northwestern University | | | | |
| Pediatric Measurement Center of Excellence | 93.226* | 4165 | 1U18HS020498 | 52,982 |
| Pass-Through (AHRQ) University of Illinois at Chicago | | | | |
| Center for Education and Research in Therapeutics | 93.226* | 4484 | 1U18HS016973-04 | 9,937 |
| Total 93.226 | | | | <u>62,919</u> |
| Pass-Through (NIH)University of Illinois | | | | |
| Minority Health and Health Disparities | 93.307* | 4202 | 5P60MD003424 | 7,838 |
| Minority Health and Health Disparities | 93.307* | 4203 | 5P60MD003425 | 1,752 |
| Total 93.307 | | | | <u>9,590</u> |
| Pass-Through (NIH) National Institute of Health | 93.273* | 90106 | 1U01AA020800 | 28,512 |
| Pass-Through (NIH) Easter Cooperative Oncology Group | 93.395* | 3954 | None | 10,532 |
| Pass-Through (NIH) American College of Radiology | | | | |
| RTOG Case Reimbursement | 93.395* | 4554 | None | 8,384 |
| Pass-Through (NIH) Mount Sinai NY University | | | | |
| MPDRC Myeloproliferative Disease | 93.395* | 4009 | 5P01CA10867-04 | 115 |
| Total 93.395 | | | | <u>19,031</u> |

* Identified as a major program

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Schedule of Expenditures of Federal Awards Year Ended August 31, 2012

| Federal Grantor/Pass-Through - Grantor/Program Title | CFDA # | Grant ID | Grantor's Number | Federal Expenditures |
|--|---------|----------|---------------------|-------------------------|
| Research and Development Cluster | | | | |
| NIH/NCI-Minority Based-CCOP | 93.399* | 1269 | 3U10CA095867-08S4 | \$ 25,931 |
| NIH/NCI-Minority Based-CCOP | 93.399* | 1342 | 2U10CA095867-09A1 | 740,045 |
| NIH/NCI-Minority Based-CCOP | 93.399* | 1343 | 5U10CA095867-10 | 217,881 |
| Pass-Through (NIH) National Surgical Adjuvant - Breast and Bowel Foundation | 93.399* | 3230 | | 87,690 |
| Total 93.399 | | | | <u>1,071,547</u> |
| National Institute of Allergy and Infectious Diseases | | | | |
| ARRA WIHS | 93.701* | 50651 | 3U01AI034993-16S1 | 2,257 |
| ARRA Stability of the Genital Microbiota in HIV | 93.701* | 50661 | 3U01AI034993-17S1 | 166,174 |
| Pass-Through SUNY Foundation | | | | |
| ARRA Vitamin D Levels and Metabolic | 93.701* | 50671 | 3U01A103183417S1 | 266,662 |
| ARRA Pass-Through Westat, Inc. ATN Protocol 084 | 93.701* | 82162 | 2 U01 HD040474-11 | 5,958 |
| ARRA Pass-Through Westat, Inc. ATN Protocol 093 | 93.701* | 82152 | 8771-S05 | 23,522 |
| ARRA Pass-Through Westat, Inc. ATN Protocol 093 | 93.701* | 82153 | 8771-S06 | 151,958 |
| ARRA Pass-Through Westat, Inc. ATN Protocol 093 | 93.701* | 82154 | 8771-S07 | 28,647 |
| ARRA Pass-Through University of Illinois C-PROBE | 93.701* | 4156 | 3P30DK081943-03S1 | 7,100 |
| Total 93.701 | | | | <u>652,278</u> |
| Agency for Healthcare Research & Quality | | | | |
| ARRA Computer Assisted Quality of Life and Symptom | 93.715* | 1971 | 1R24HS019481-01 | 612,531 |
| Pass-Through Northwestern University | | | | |
| ARRA A Low Literacy Multimedia Approach | 93.715* | 4096 | 1R18HS019335 | 22,958 |
| ARRA A Low Literacy Multimedia Approach | 93.715* | 4097 | 2R18HS019335 | 137,516 |
| Pass-Through University of California- San Francisco | | | | |
| ARRA STONE- Study of Tomography of Nephrolithiasis | 93.715* | 3995 | R01 HS019312-01 | 119,557 |
| Total 93.715 | | | | <u>892,562</u> |
| Pass-Through (NIH) Northwestern University | | | | |
| Chicago Metropolitan AsthmaNet Consortium | 93.837* | 4076 | U10 HL098096 | 12,090 |
| Pass-Through (NIH) Rush University | | | | |
| Reduction in Hospitalizations in Low-Income | 93.837* | 4225 | 1P50HL105189 -1 | 1,822 |
| Total 93.837 | | | | <u>13,912</u> |
| Pass-Through (NIH) University of Illinois at Chicago | | | | |
| Clinical Phenotype Resource and Biobank Core | 93.847* | 4050 | 491721 E5137 | 13,298 |
| Pass-Through (NIH) Rush University | | | | |
| The LIFE Program | 93.847* | 4255 | 1R01DK092271-01 | 14,601 |
| The LIFE Program | 93.847* | 8285 | 1R01DK092271-01 | 39,153 |
| Total 93.847 | | | | <u>67,052</u> |
| Pass-Through (NIH) Yale University | | | | |
| Insulin Resistance Intervention/Stroke Trial | 93.853* | 4086 | 5U01NS044876-08 | 74,186 |
| Pass-Through (NIH) Rush University Medical Center | | | | |
| Chicago D-CFAR | 93.855* | 8992 | 5P30AI082151-02 | 3,475 |
| Chicago D-CFAR | 93.855* | 8993 | None | 144,738 |
| Chicago D-CFAR | 93.855* | 8994 | None | 9,231 |
| Chicago D-CFAR | 93.855* | 4122 | 5P30AI082151 | 11,577 |
| Chicago D-CFAR | 93.855* | 90085 | 5P30AI087714-02 | 58,923 |
| Chicago D-CFAR | 93.855* | 90086 | 5P30AI087714-03 | 24,243 |
| National Institute of Allergy and Infectious Diseases | | | | |
| Chicago WIHS Consortium | 93.855* | 50610 | 5U01AI034993-18 REV | 1,680,482 |
| Chicago WIHS Consortium | 93.855* | 50611 | 5U01AI034993-19 | 1,827,643 |
| Pharmacotherapy Carryover | 93.855* | 50657 | 5U01AI034993-17 | 21,088 |
| Liver Fibrosis and Immunologic Correlations in HIV | 93.855* | 50658 | 5U01AI034993-18 | 61,214 |
| Liver Fibrosis and Immunologic Correlations in HIV | 93.855* | 50666 | 5U01AI034993-19 | 47,128 |
| San Francisco Viral Load Yr. 4 | 93.855* | 50659 | 5U01AI034993-18 | 34,690 |
| San Francisco Viral Load Yr. 5 | 93.855* | 50660 | 5U01AI034993-19 | 40,689 |

* Identified as a major program

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Schedule of Expenditures of Federal Awards Year Ended August 31, 2012

| Federal Grantor/Pass-Through - Grantor/Program Title | CFDA # | Grant ID | Grantor's Number | Federal Expenditures |
|--|---------|----------|-------------------|-------------------------|
| Research and Development Cluster | | | | |
| Pass-Through(NIH) Rush University Medical Center | | | | |
| Female Genital Tract in HIV Pathogenesis | 93.855* | 69912 | 5P01AI082971 | \$ 120 |
| Female Genital Tract in HIV Pathogenesis | 93.855* | 69913 | 5P01AI082971 | 139,098 |
| Pass- Thru NIH - Northwestern University (MACS) | 93.855* | 90191 | U01A1035039 | 244,571 |
| Pass- Thru NIH - Northwestern University (MACS) | 93.855* | 90192 | U01A1035039 | 109,886 |
| Pass- Thru NIH - Columbia University HIV and Menopausal | 93.855* | 90066 | 1R01 AI095089-01 | 41,216 |
| Pass- Thru NIH - FHCRC - TLC-Plus | 93.855* | 82036 | 5 UM1AI068617-06 | 154,044 |
| Pass- Thru NIH - FHCRC - TLC-Plus | 93.855* | 82037 | 5 UM1AI068617-07 | 24,160 |
| Total 93.855 | | | | 4,678,216 |
| National Institute of Child Health and Human Development | | | | |
| Chicago Adolescent Trials Network | 93.865* | 52509 | 2U01HD040515-11 | 205,707 |
| Chicago Adolescent Trials Network | 93.865* | 52510 | 2U01HD040515-12 | 189,966 |
| Chicago Adolescent Trials Network | 93.865* | 52519 | 2U01HD0405-15-11 | 117,307 |
| Chicago Adolescent Trials Network | 93.865* | 52520 | 2U01HD0405-15-12 | 113,737 |
| Pass-Through Westat | | | | |
| Westat ATN 096 | 93.865* | 82172 | 82172-324-PV2 | 59,852 |
| Westat ATN 096 | 93.865* | 82173 | 5U01HD040533-12 | 49,741 |
| Pass-Through(NICHD)University of Alabama at Birmingham | | | | |
| Chemoprophylaxis for HIV Prevention in Men | 93.865* | 82075 | 2U01HD040533-11 | 80,785 |
| Chemoprophylaxis for HIV Prevention in Men | 93.865* | 82076 | 2U01HD040533-12 | 37,866 |
| Preexposure Prophylaxis | 93.865* | 90056 | 2UD1HD040533-11 | 234,090 |
| Preexposure Prophylaxis | 93.865* | 90057 | 2UD1HD040533-12 | 189,410 |
| Leadership Group for Adolescent Trial Network | 93.865* | 90120 | 2U01HD040533-11 | 18,606 |
| Leadership Group for Adolescent Trial Network | 93.865* | 90121 | 2U01HD040533-12 | 36,421 |
| ATN 073 Protocol - PCS 073 Empowerment | | | | |
| ATN110 Prep Study | 93.865* | 90126 | 2U01HD040533-11 | 20,114 |
| ATN110:113 Project Prepare II | 93.865* | 90127 | 5U01HD040533-12 | 57,674 |
| Total 93.865 | | | | 1,411,276 |
| NIH -Trust in Health Care and Racial Disparities in a Aging Population | | | | |
| | 93.866* | 1215 | 1R01AG033172-01A1 | 320,378 |
| CDC - HIV Risk Reduction Intervention for Back Men | | | | |
| | 93.941* | 50003 | 1UR6PS001095-03 | 16,020 |
| CDC - HIV Risk Reduction Intervention for Back Men | | | | |
| | 93.941* | 50004 | 1UR6PS001095-04 | 164,206 |
| Pass-through Illinois Department of Public Health (IDPH)- Illinois Public Health Corrections & Community Initiative | | | | |
| | 93.941* | 80028 | None | 110,760 |
| Illinois Public Health Corrections & Community Initiative | | | | |
| | 93.941* | 80029 | None | 12,981 |
| Pass-Through City of Chicago | | | | |
| Department of Public Health | | | | |
| HIV/AIDS Behavioral Surveillance-VARHS | 93.941* | 65042 | 17770-5 | 811 |
| HIV/AIDS Behavioral Surveillance-CORE II | 93.941* | 65045 | 17770-5 | 66,214 |
| HIV/AIDS Behavioral Surveillance-CORE III | 93.941* | 65046 | 17770-5 | 48,483 |
| HIV/AIDS Behavioral Surveillance-CORE IV | 93.941* | 65047 | 17770-5 | 27,720 |
| HIV/AIDS Behavioral Surveillance-Perinatal | 93.941* | 65056 | 19521-3 | 25,210 |
| Total 93.941 | | | | 472,405 |
| National Institute of Health | | | | |
| An HIV Intervention Tailored for Black YMSM | 93.242* | 50026 | 5R34MH092197-02 | 176,334 |
| An HIV Intervention Tailored for Black YMSM | 93.242* | 50027 | 5R34MH092197-03 | 30,965 |
| Pass-Thru DePaul University-MSM Male Adolescents | 93.242* | 90075 | 500836SG087 | 7,261 |
| Pass-Thru University of Chicago -Prevalence of DSM -IV | 93.242* | 90131 | 1R01MH089830-02 | 63,082 |
| Total 93.242 | | | | 277,642 |
| Pass-Through (CDC) CDPH/ University of Chicago | | | | |
| Expanded HIV Testing for Disproportionately Population | 93.943* | 90082 | | 12,921 |
| Expanded HIV Testing for Disproportionately Population | 93.943* | 90083 | | 46,104 |
| Total 93.943 | | | | 59,025 |

* Identified as a major program

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Schedule of Expenditures of Federal Awards Year Ended August 31, 2012

| Federal Grantor/Pass-Through - Grantor/Program Title | CFDA # | Grant ID | Grantor's Number | Federal Expenditures |
|--|---------|----------|------------------|-----------------------------|
| Research and Development Cluster | | | | |
| Pass-Through (CDC) City of Chicago Department of Public Health HIV/AIDS Behavioral Surveillance MMP | 93.944* | 65044 | 17770-5 | \$ 37,739 |
| Pass-Through Cook County Department of Public Health South Suburban -HIV Counseling and Testing Program | 93.944* | 2570 | 1175807 | 40,320 |
| Pass-Through (CDC) Metropolitan Public Health Institute South Suburban HIV/AIDS - Risk Education | 93.944* | 2576 | None | 38,575 |
| South Suburban HIV/AIDS - Risk Education | 93.944* | 2577 | None | <u>12,814</u> |
| Total 93.944 | | | | <u>129,448</u> |
| Pass-Through Illinois Department of Public Health Regional Perinatal Core System Program | 93.994* | 2338 | None | 355,068 |
| Regional Perinatal Core System Program | 93.994* | 2339 | None | 42,575 |
| Pass-Through Illinois Department of Human Services Family Planning Service | 93.994* | 2413 | 11GQ01653 | <u>12,300</u> |
| Total 93.994 | | | | <u>409,943</u> |
| Total Research and Development Cluster | | | | <u>11,048,585</u> |
| Total Federal Expenditures | | | | <u><u>\$ 29,285,055</u></u> |

* Identified as a major program

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Notes to Schedule of Expenditures of Federal Awards
Year Ended August 31, 2012

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC** (The Institute) 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 might differ from amounts presented or used in the basic consolidated financial statements.

Note 2 - Subrecipients

The Institute provided no federal awards to subrecipients during the year ended August 31, 2012.

Note 3 - Nonmonetary Assistance

Of the federal expenditures presented in the schedule, **The Institute** received no noncash assistance.

Note 4 - Insurance and Loans or Loan Guarantees

During the year ended August 31, 2012, **The Institute** received no loans, loan guarantees or other federal assistance for the purpose of administering federal programs.

Note 5 - Federal Insurance

The Institute had no federal insurance coverage in force during the fiscal year ended August 31, 2012.

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

Board of Directors
The Hektoen Institute of Medicine and its Wholly Owned Subsidiary,
The Hektoen Institute of Medicine, LLC
Chicago, Illinois

We have audited the consolidated financial statements of **The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC** as of and for the year ended August 31, 2012, and have issued our report thereon dated tbd. 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 Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC** is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit we consider **The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the effectiveness of **The Hektoen Institute of Medicine and its Wholly Owned Subsidiary, The Hektoen Institute of Medicine LLC's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC'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 Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC**'s consolidated 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*.

We noted certain matters that we reported to management of **The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC** in a separate letter dated February 4, 2013.

This report is intended solely for the information and use of the audit committee, board of directors, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

February 4, 2013

**Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133**

Board of Directors
The Hektoen Institute of Medicine and its Wholly Owned Subsidiary,
The Hektoen Institute of Medicine, LLC
Chicago, Illinois

Compliance

We have audited **The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC's** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of **The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC's** major federal programs for the year ended August 31, 2012. **The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC's** management. Our responsibility is to express an opinion on **The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC'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 Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC'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 Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC's** compliance with those requirements.

In our opinion, **The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012.

Internal Control Over Compliance

Management of **The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC** 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 Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC'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 Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC'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.

This report is intended solely for the information and use of the audit committee, board of directors, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

February 4, 2013

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Schedule of Findings and Questioned Costs
Year Ended August 31, 2012

Section I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
Material weakness(es) identified? No

Significant deficiency(ies) identified not
considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:
Material weakness(es) identified? No

Significant deficiency(ies) identified not
considered to be material weakness(es)? None reported

Type of auditor's report on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported
in accordance with Circular A-133, Section .510(a)? No

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|--|
| 93.914 | HIV Emergency Relief Project and Case Management Grants |
| 16.526 | ARRA - OVW Technical Assistance Initiative |
| 93.403 | ARRA - Grants for Training in Primary Care Medicine and Dentistry Training Enhancement |
| 93.717 | ARRA - ELR Electronic Lab Records |
| Various | Research and Development Cluster |

Dollar threshold used to distinguish between Type A and Type B programs: \$878,552

Auditee qualified as a low-risk auditee? Yes

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Schedule of Findings and Questioned Costs
Year Ended August 31, 2012

Section II - Consolidated Financial Statement Findings

There are no financial statement findings.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings or questioned costs.

The Hektoen Institute of Medicine and Its Wholly Owned Subsidiary, The Hektoen Institute of Medicine, LLC

Schedule of Prior Year Audit Findings
Year Ended August 31, 2012

Section IV - Schedule of Prior Year Audit Findings

| Finding 2011-1 | Corrective action taken |
|----------------|-------------------------|
|----------------|-------------------------|