

MANATEE COUNTY RURAL HEALTH SERVICES, INC.
ALLCARE OPTIONS LLC
PALMETTO, FLORIDA

COMBINED AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
November 30, 2014 and 2013

MANATEE COUNTY RURAL HEALTH SERVICES, INC.
 ALLCARE OPTIONS LLC
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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Manatee County Rural Health Services, Inc.
Palmetto, Florida

To the Members
Allcare Options LLC
Palmetto, Florida

We have audited the accompanying combined financial statements of Manatee County Rural Health Services, Inc. (a nonprofit organization) and Allcare Options LLC (an affordable care act organization), which comprise the combining statements of financial position as of November 30, 2014 and 2013, and the related combining statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Manatee County Rural Health Services, Inc. and Allcare Options LLC as of November 30, 2014 and 2013, 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.

Emphasis of a Matter – Correction of an Error

As described in Note 15 to the financial statements, Manatee County Rural Health Services, Inc. corrected an error in recording accounts receivable. Our opinion was not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedules of financial position, activities, functional expenses, cash flows and revenue – Manatee County Rural Health Services, Inc., and the balance sheets, schedules of revenues, expenses, and changes in member's equity, and schedules of cash flow – AllCare Options LLC, and the schedule of expenditures of federal awards as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2015, on our consideration of Manatee County Rural Health Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Manatee County Rural Health Services, Inc.'s internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Bradenton, Florida
May 19, 2015

MANATEE COUNTY RURAL HEALTH SERVICES, INC. AND ALLCARE OPTIONS LLC
 COMBINED STATEMENT OF FINANCIAL POSITION
 For the Years Ended November 30, 2014 and 2013

	2014	2013
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,188,692	\$ 3,158,451
Restricted cash and cash equivalents	-	40,418
Accounts receivable - Note 3	16,969,439	10,718,154
Prepaid expenses	106,258	109,143
Inventory	306,472	265,562
Investments	1,009,770	1,000,000
457B salary deferrals	<u>906,962</u>	<u>783,972</u>
Total current assets	<u>21,487,593</u>	<u>16,075,700</u>
PROPERTY AND EQUIPMENT		
Land, buildings and equipment at cost less accumulated depreciation of \$8,699,847 for year ending in 2014 and \$7,327,387 for year ending in 2013 - Note 7	20,463,050	21,369,654
Construction in progress - Note 7	<u>2,738,294</u>	<u>1,661,624</u>
Total land, building and equipment	<u>23,201,344</u>	<u>23,031,278</u>
OTHER ASSETS		
Deposits	7,215	1,923
Loan costs, net of accumulated amortization of \$37,434 and \$41,448	<u>458,163</u>	<u>470,741</u>
TOTAL ASSETS	<u>45,154,315</u>	<u>39,579,642</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	1,645,704	1,335,049
Accrued expenses	1,849,565	1,806,273
Deferred revenue	-	37,500
457B salary deferrals	906,962	783,972
Notes payable, current portion	<u>12,597,972</u>	<u>6,336,752</u>
Total current liabilities	<u>17,000,203</u>	<u>10,299,546</u>
LONG-TERM DEBT		
Notes payable, less current portion - Note 10	<u>12,283,491</u>	<u>14,111,928</u>
TOTAL LIABILITIES	<u>29,283,694</u>	<u>24,411,474</u>
NET ASSETS		
Unrestricted	<u>15,870,621</u>	<u>15,168,168</u>
TOTAL NET ASSETS	<u>\$ 15,870,621</u>	<u>\$ 15,168,168</u>

MANATEE COUNTY RURAL HEALTH SERVICES, INC. AND ALLCARE OPTIONS LLC
 COMBINED STATEMENTS OF ACTIVITIES
 For the Years Ended November 30, 2014 and 2013

	2014	2013
UNRESTRICTED NET ASSETS		
Support		
Financial assistance:		
Federal agencies	\$ 7,539,875	\$ 6,155,629
Other	<u>2,347,128</u>	<u>2,847,225</u>
Total	<u>9,887,003</u>	<u>9,002,854</u>
Other support:		
Program service fees	58,236,679	54,184,859
Donations - Note 8	83,679	157,009
Gain on sale of investment	-	5,850
Interest income	6,670	4,975
Miscellaneous	<u>505,413</u>	<u>100,807</u>
Total other support	<u>58,832,441</u>	<u>54,453,500</u>
Total unrestricted support	<u>68,719,444</u>	<u>63,456,354</u>
 EXPENSES		
Program services	53,095,486	48,475,537
Support services	13,815,870	12,705,550
Allcare Options - support services	<u>1,105,635</u>	<u>720,014</u>
Total expenses	<u>68,016,991</u>	<u>61,901,101</u>
 CHANGE IN UNRESTRICTED NET ASSETS	<u>702,453</u>	<u>1,555,253</u>
 NET ASSETS AT BEGINNING OF YEAR	15,168,168	17,943,794
Prior Period Adjustment - Note 15	<u>-</u>	<u>(4,330,879)</u>
NET ASSETS AT BEGINNING OF YEAR AS RESTATED	<u>15,168,168</u>	<u>13,612,915</u>
 NET ASSETS AT END OF YEAR	<u>\$ 15,870,621</u>	<u>\$ 15,168,168</u>

MANATEE COUNTY RURAL HEALTH SERVICES, INC. AND ALLCARE OPTIONS LLC
 COMBINED STATEMENTS OF CASH FLOWS
 For the Years Ended November 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in unrestricted net assets	\$ 702,453	\$ 1,555,253
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation and amortization	1,393,601	1,322,900
Changes in assets and liabilities:		
(Increase) in accounts receivable	(6,251,285)	(5,200,397)
Decrease in prepaid expenses	2,885	84,841
(Increase) decrease in inventory	(40,910)	125,135
Increase in 457B salary deferrals	(122,990)	(103,646)
(Increase) decrease in deposits	(5,292)	45,444
Increase in accounts payable	310,655	481,294
Increase (decrease) in accrued expenses	43,292	(630,029)
Decrease in deferred revenue	(37,500)	-
Increase in 457B salary deferrals liability	122,990	103,646
<u>Net cash (used in) operating activities</u>	<u>(3,882,101)</u>	<u>(2,215,559)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in corporate investment, net of service charges	(9,770)	1,000,000
Purchase of property, plant and equipment	<u>(1,551,089)</u>	<u>(2,997,888)</u>
Net cash (used in) investing activities	<u>(1,560,859)</u>	<u>(1,997,888)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable, including lines of credit	5,277,261	10,830,000
Repayment of notes payable, including lines of credit	<u>(844,478)</u>	<u>(7,196,839)</u>
Net cash provided by financing activities	<u>4,432,783</u>	<u>3,633,161</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,010,177)	(580,286)
BEGINNING CASH AND CASH EQUIVALENTS	<u>3,198,869</u>	<u>3,779,155</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 2,188,692</u>	<u>\$ 3,198,869</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ 779,365</u>	<u>\$ 632,998</u>

MANATEE COUNTY RURAL HEALTH SERVICES, INC. AND ALLCARE OPTIONS LLC
NOTES TO THE COMBINED FINANCIAL STATEMENTS
November 30, 2014 and 2013

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

Manatee County Rural Health Services, Inc., (the Agency) is a nonprofit organization which provides health care services to the underserved, rural communities of Manatee, Sarasota and DeSoto Counties. These services are administered by over one hundred ninety health care providers working from twenty seven healthcare sites. The Agency is supported primarily through patient fees and Federal and State awards.

Manatee County Rural Health Services, Inc. is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and contributions to it are tax deductible within the limitations prescribed by the Code.

Allcare Options, LLC, (the Company) is an affordable care organization formed under the 2010 Affordable Health Care Act which provides Medicare services to residents of Manatee, Sarasota and Desoto Counties. The Company will be supported primarily through payments received from Medicare, but currently is supported by Manatee County Rural Health Services, Inc.

Both organizations share key personnel and the Agency provides the staffing and support for the Company but have different governing boards.

B. Basis of Presentation

Financial statement presentation follows the recommendations of Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205 Presentation of Financial Statements of Not-for-Profit Entities. Under ASC 958-205, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of November 30, 2014 and 2013, there were no temporarily or permanently restricted net assets.

The Company's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

C. Basis of Accounting

The accrual basis of accounting is followed by the Agency and the Company. Revenue is recorded when earned and assets or expenses are recorded at the time the liability is incurred.

D. Property and Equipment

Property and Equipment are carried at cost, except for donated assets, which are recorded at the fair market value at the time of the gift. The Agency follows the practice of capitalizing all expenditures for land, building, and equipment in excess of \$2,500. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to forty years.

MANATEE COUNTY RURAL HEALTH SERVICES, INC. AND ALLCARE OPTIONS LLC
NOTES TO THE COMBINED FINANCIAL STATEMENTS
November 30, 2014 and 2013

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Accounts Receivable

The Agency records accounts receivable at the time of service. These amounts are often reduced because of the patient's inability to pay or because of disallowance and reductions from third party payors. Uncollectible receivables are estimated in the allowance for doubtful accounts.

F. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Agency considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

G. Inventory

Inventory is stated at the lower of cost or market on a first-in, first-out basis, and consists primarily of pharmaceutical, other medical supplies and office supplies.

H. Income Taxes

Manatee County Rural Health Services, Inc. has received a letter of determination from the Internal Revenue Service advising that it qualifies as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue code; accordingly, no provision for income taxes is included in the financial statements.

Management has determined that Manatee County Rural Health Services, Inc. had no uncertainty in income taxes, and had no uncertain income tax positions that could have a significant effect on the financial statements for the year ended November 30, 2014. The Agency's federal income tax returns for fiscal years ended November 30, 2014, 2013, and 2012 are subject to examination by the Internal Revenue Service, generally for three years after the federal income tax returns were filed.

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Subsequent Events

The Agency and the Company have evaluated subsequent events through May 19, 2015, which represents the date on which the financial statements were issued.

NOTE 2 – RESTRICTED CASH

In order to comply with regulations to operate as a discount medical plan organization, money is being held in a Treasury Cash Deposit Trust Fund and is considered restricted cash until July 1, 2014. The balance in this account for the years ended November 30, 2014 and 2013 is \$40,418 and \$40,418, respectively. The Agency surrendered its Florida DMPO license effective July 1, 2014.

MANATEE COUNTY RURAL HEALTH SERVICES, INC. AND ALLCARE OPTIONS LLC
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 November 30, 2014 and 2013

NOTE 3 – ACCOUNTS RECEIVABLE

The accounts receivable balances as of November 30, 2014 and 2013 were as follows:

	2014	2013
State of Florida	\$ 299,244	\$ 497,770
Various local governmental units	1,140,446	1,268,197
Medicaid and EPSDT	7,614,544	5,350,730
Healthy Start	(16,842)	63,390
Medicare	5,659,003	2,501,761
Patient fees	4,262,230	6,218,869
Low income pool	171,109	66,234
Other	685,991	572,432
	19,815,725	16,539,383
Less: allowance for doubtful accounts	(2,846,286)	(5,821,229)
	\$ 16,969,439	\$ 10,718,154

NOTE 4 – INVESTMENTS

On April 1, 2013, the Agency and Huntingdon Healthcare, Inc., an independent contractor of mental health services to the Agency, signed an agreement stipulating that Huntingdon Healthcare will continue to provide services to the Agency until April 1, 2017 where upon the Agency will have the option to purchase Huntingdon Healthcare, Inc. for \$1. A payment of \$1,000,000 was made on April 1, 2013. If Huntingdon Healthcare, Inc. does not continue to provide services through April 1, 2017, the \$1,000,000 must be repaid to the Agency.

On February 12, 2014, the Company established NewCare LLC. The Company made an original investment of \$50,000 into NewCare LLC and subsequently withdrew \$40,000. The only other activity for NewCare LLC has been bank service charges. Currently, the Company is the only funder of NewCare LLC, and all of the activity is reported in these financial statements.

NOTE 5 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Agency applies GAAP for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability

MANATEE COUNTY RURAL HEALTH SERVICES, INC. AND ALLCARE OPTIONS LLC
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 November 30, 2014 and 2013

NOTE 5 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES - CONTINUED

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables present assets that are measured at fair value on a recurring basis at November 30, 2014 and 2013:

	Fair Value Measurement Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Unobservable Inputs (Level 3)
November 30, 2014	Fair Value		
Corporate investment	\$ 1,009,770	\$ -	\$ 1,009,770
November 30, 2013			
Corporate investment	\$ 1,000,000	\$ -	\$ 1,000,000

Fair values for equity securities are determined by reference to quoted market prices and other relevant information generated by market transactions.

The reconciliation of the changes in the contribution receivable from the capital campaign measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is as follows:

	Corporate Investment
November 30, 2013	\$ 1,000,000
Corporate investment	10,000
Service charges	<u>(230)</u>
November 30, 2014	<u>\$ 1,009,770</u>

NOTE 6 – FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

Certain of the Agency's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include: cash and cash equivalents, accounts receivable, Inventory, 457B salary deferrals and other assets, accounts payable, accrued expenses, deferred revenue, 457B salary deferrals and notes payable.

MANATEE COUNTY RURAL HEALTH SERVICES, INC. AND ALLCARE OPTIONS LLC
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 November 30, 2014 and 2013

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2014	2013
Land	\$ 5,487,120	\$ 5,317,316
Office furniture and equipment	2,470,712	2,359,490
Medical and dental equipment	2,505,549	2,418,411
Buildings and leasehold improvements	18,699,516	18,601,824
	29,162,897	28,697,041
Less accumulated depreciation	(8,699,847)	(7,327,387)
	20,463,050	21,369,654
Construction in progress	2,738,294	1,661,624
	\$ 23,201,344	\$ 23,031,278

Depreciation expense for the years ended November 30, 2014 and 2013 was \$1,393,601 and \$1,322,900, respectively.

NOTE 8 – DONATIONS AND CONTRIBUTED SERVICES

The Agency reports donations and contributed services at their estimated values as revenues and expenses at the date of receipt. Donations of equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted revenue unless the donor has restricted the donated asset to a specific purpose.

Donated services are measured at amounts comparable to costs, which would be incurred by the agency to hire personnel, purchase supplies and rent facilities to accomplish similar objectives. For the years ended November 30, 2014 and 2013, donations consisted of the following:

	2014	2013
Supplies		
Pfizer Pharmaceutical	\$ 23,679	\$ 143,992

MANATEE COUNTY RURAL HEALTH SERVICES, INC. AND ALLCARE OPTIONS LLC
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 November 30, 2014 and 2013

NOTE 10 – NOTES PAYABLE AND LINES OF CREDIT

Notes payable at November 30, 2014 and 2013, consist of the following (all are Manatee County Rural Health Services, Inc. unless noted (Allcare Options line of credit)):

	2014	2013
Line of credit loan payable to Bank of America, maximum available of \$10,000,000, with interest at one-month LIBOR (London Interbank Offered Rate) plus 2.75%. The one-month LIBOR was .156% at November 30, 2014. The loan matures on May 31, 2015, secured by equipment and accounts receivable.	\$ 10,000,000	\$ 5,500,000
Adjustable rate bond payable to Bank of America, principal due in monthly installments of \$19,946, plus interest at .64% of LIBOR plus 2%, not to exceed 4.03%. The one-month LIBOR was .156% and .168% at November 30, 2014 and 2013. The bond matures December 1, 2019, secured by property.	5,248,744	5,497,041
Fixed rate note payable to Gateway Bank in monthly installments of \$13,103, including interest at 3.70% until September 15, 2017 where interest rates will adjust per agreement with bank every 60 months with final payment due September 15, 2027, secured by real estate.	1,599,426	1,694,713
Fixed rate note payable to Bank of America, interest only through January 2012 at a rate of 2.107%. This is known as "Tranche 3" of the bond, balloon payment originally due December 2014 and extended to December 1, 2019, secured by property.	3,186,229	3,345,969
Fixed rate note payable to Bank of America in monthly installments of \$4,350, plus interest at LIBOR, originally due December 2014 and extended to December 1, 2019, secured by real estate.	1,294,248	1,345,706
Fixed rate note payable to Bank of America, principal due in monthly installments of \$16,667, plus interest at LIBOR plus 3% due May 31, 2018, secured by inventory.	699,982	899,994

MANATEE COUNTY RURAL HEALTH SERVICES, INC. AND ALLCARE OPTIONS LLC
NOTES TO THE COMBINED FINANCIAL STATEMENTS
November 30, 2014 and 2013

NOTE 10 – NOTES PAYABLE AND LINES OF CREDIT – CONTINUED

	2014	2013
Fixed rate note payable to Bank of America in monthly installments of \$7,114, plus interest at 2.906%, originally due December 2014 and extended to May 31, 2017, secured by real estate.	976,927	1,033,545
Fixed rate note payable to Bank of America, principal due in monthly installments of \$3,250, plus interest at LIBOR plus 3% due April 1, 2024, secured by real estate.	367,250	-
Fixed rate note payable to Bank of America in monthly installments of \$4,233, plus interest at 2.156% due July 2018, secured by real estate.	778,646	811,712
Fixed rate note payable to Bank of America in monthly installments of \$9,496, plus interest at 3.49% due March 2017, secured by equipment.	255,011	-
Allcare Options LLC Line of credit loan payable to Bank of America, maximum available of \$475,000, interest rate of 2.65%. Loan matures on December 1, 2014, guaranteed by Manatee County Rural Health Services, Inc. The line was renewed December 1, 2014 and maturity was extended to May 31, 2015.	475,000	320,000
Total	24,881,463	20,448,680
Less: current maturities	(12,597,972)	(6,336,752)
Total long-term debt	\$12,283,491	\$ 14,111,928

Maturities of notes payable for the next five years and thereafter are as follows:

For the Year Ending November 30	Amount
2015	\$ 12,597,972
2016	834,480
2017	1,577,669
2018	1,297,081
2019	482,172
2020-2024	7,680,670
2025-2027	411,419
Total	\$ 24,881,463

MANATEE COUNTY RURAL HEALTH SERVICES, INC. AND ALLCARE OPTIONS LLC
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 November 30, 2014 and 2013

NOTE 11 – OPERATING LEASES

Manatee County Rural Health Services, Inc. leases operations facilities and equipment under leases with expiration dates exceeding one year. The agency also leases facilities equipment under short-term operating leases. Lease expense for the years ended November 30, 2014 and 2013 was \$1,023,460 and \$949,727, respectively.

Future minimum lease payments applicable to these leases are as follows:

For the Year Ending November 30,		
2015	\$	847,272
2016		875,343
2017		904,555
2018		934,957
2019		966,603
2020		999,546
Total	\$	<u>5,528,276</u>

NOTE 12 – RETIREMENT PLAN

The Agency sponsors a profit sharing plan covering all employees meeting certain eligibility requirements. Contributions to the plan are discretionary and are based upon a percentage of compensation. The agency shall determine, at its sole discretion, the annual contributions as determined by the Board of Directors. Cash contributions to the plan for the years ended November 30, 2014 and 2013 amounted to \$0 and \$650,000, respectively. No accrual for the fiscal year ended November 30, 2013 was made.

NOTE 13 – CONCENTRATIONS

The Agency maintains its bank accounts at various financial institutions located in Manatee County, Florida. Accounts at banking institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. There was \$907,188 and \$0 in excess of the FDIC insurance limit as of November 30, 2014 and 2013, respectively.

During the fiscal year the Agency purchased approximately 95% of its pharmaceutical supplies from one major vendor.

NOTE 14 – RELATED PARTY TRANSACTIONS

The Company (Allcare Options LLC) currently is fully controlled by the Agency (Manatee County Rural Health Services, Inc.). The entire amount of the accounts payable of \$1,750,331 for the Company is due to the Agency and has been eliminated from the combined statements. The Company intends to pay this balance when cash from operations is received.

MANATEE COUNTY RURAL HEALTH SERVICES, INC. AND ALLCARE OPTIONS LLC
NOTES TO THE COMBINED FINANCIAL STATEMENTS
November 30, 2014 and 2013

NOTE 15 – PRIOR PERIOD ADJUSTMENT

Manatee County Rural Health Services, Inc. has determined that, due to an error, accounts receivable were overstated and net position was overstated as of December 1, 2012 by \$4,330,879. The effect of this correction is a decrease to beginning net position of \$4,330,879.

NOTE 16 – SUBSEQUENT EVENTS

On December 1, 2014, the Company signed agreements with Bank of America to extend the maturity of various debt obligations to May 31, 2015 or December 1, 2019. See Note 10 for additional information.

SUPPLEMENTARY INFORMATION

MANATEE COUNTY RURAL HEALTH SERVICES, INC.
SCHEDULES OF FINANCIAL POSITION
November 30, 2014 and 2013

	2014	2013
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,154,676	\$ 3,155,941
Restricted cash and cash equivalents	-	40,418
Accounts receivable - Note 3	18,719,770	11,476,574
Prepaid expenses	106,258	109,143
Inventory	306,472	265,562
Investments	1,000,000	1,000,000
457B salary deferrals	<u>906,962</u>	<u>783,972</u>
Total current assets	<u>23,194,138</u>	<u>16,831,610</u>
PROPERTY AND EQUIPMENT		
Land, buildings and equipment at cost less accumulated depreciation of \$8,699,847 for year ending in 2014 and \$7,327,387 for year ending in 2013 - Note 7	20,463,050	21,369,654
Construction in progress - Note 7	<u>2,738,294</u>	<u>1,661,624</u>
Total land, building and equipment	<u>23,201,344</u>	<u>23,031,278</u>
OTHER ASSETS		
Deposits	7,215	1,923
Loan costs, net of accumulated amortization of \$37,434 and \$16,292	<u>458,163</u>	<u>470,741</u>
TOTAL ASSETS	<u>46,860,860</u>	<u>40,335,552</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	1,645,704	1,335,049
Accrued expenses	1,849,565	1,806,273
Deferred revenue	-	37,500
457B salary deferrals	906,962	783,972
Notes payable, current portion	<u>12,597,972</u>	<u>6,336,752</u>
Total current liabilities	<u>17,000,203</u>	<u>10,299,546</u>
LONG-TERM DEBT		
Notes payable, less current portion - Note 10	<u>11,808,491</u>	<u>13,791,928</u>
TOTAL LIABILITIES	<u>28,808,694</u>	<u>24,091,474</u>
NET ASSETS		
Unrestricted	<u>18,052,166</u>	<u>16,244,078</u>
TOTAL NET ASSETS	<u>\$ 18,052,166</u>	<u>\$ 16,244,078</u>

MANATEE COUNTY RURAL HEALTH SERVICES, INC.
SCHEDULES OF ACTIVITIES
For The Years Ended November 30, 2014 and 2013

	2014	2013
UNRESTRICTED NET ASSETS		
Support		
Financial assistance:		
Federal agencies	\$ 7,539,875	\$ 6,155,629
Other	2,347,128	2,847,225
Total	9,887,003	9,002,854
Other support:		
Program service fees	58,236,679	54,184,859
Donations - Note 8	83,679	157,009
Gain on sale of investments/assets	-	5,850
Interest income	6,670	4,975
Miscellaneous	505,413	100,807
Total other support	58,832,441	54,453,500
Total unrestricted support	68,719,444	63,456,354
 EXPENSES		
Program services	53,095,486	48,475,537
Support services	13,815,870	12,705,550
Total expenses	66,911,356	61,181,087
 CHANGE IN UNRESTRICTED NET ASSETS	1,808,088	2,275,267
 NET ASSETS AT BEGINNING OF YEAR	16,244,078	18,299,690
Prior Period Adjustment - Note 15	-	(4,330,879)
NET ASSETS AT BEGINNING OF YEAR AS RESTATED	16,244,078	13,968,811
 NET ASSETS AT END OF YEAR	\$ 18,052,166	\$ 16,244,078

MANATEE COUNTY RURAL HEALTH SERVICES, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
For The Year Ended November 30, 2014

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
Salaries	\$ 27,860,758	\$ 4,993,373	\$ 32,854,131
Employee benefits	<u>5,087,842</u>	<u>1,025,228</u>	<u>6,113,070</u>
Total salaries and related expenses	<u>32,948,600</u>	<u>6,018,601</u>	<u>38,967,201</u>
Operating supplies	2,201,819	533,721	2,735,540
Telephone	63,952	957,034	1,020,986
Non-employee insurance	517,273	317,115	834,388
Rents and leases	438,305	584,398	1,022,703
Interest	-	768,496	768,496
Internal meetings	15,026	27,543	42,569
Utilities	18,528	459,411	477,939
Dues and subscriptions	171,654	95,596	267,250
Travel - local and out of area	202,397	104,012	306,409
Building repair and maintenance	154,059	396,189	550,248
Professional & contracted services	13,093,159	1,362,043	14,455,202
Advertising	12,400	278,048	290,448
Purchase for resale	1,798,385	-	1,798,385
Data processing	1,350,699	394,724	1,745,423
Training	48,070	37,543	85,613
Postage	12,331	57,236	69,567
Pantry food supplies	15,150	-	15,150
Miscellaneous and in-kind services	<u>33,679</u>	<u>30,559</u>	<u>64,238</u>
Total expenses before depreciation and amortization	53,095,486	12,422,269	65,517,755
Depreciation and amortization	<u>-</u>	<u>1,393,601</u>	<u>1,393,601</u>
TOTAL EXPENSES	<u>\$ 53,095,486</u>	<u>\$ 13,815,870</u>	<u>\$ 66,911,356</u>

MANATEE COUNTY RURAL HEALTH SERVICES, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
For The Year Ended November 30, 2013

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
Salaries	\$ 27,328,892	\$ 4,316,038	\$ 31,644,930
Employee benefits	<u>3,930,219</u>	<u>724,520</u>	<u>4,654,739</u>
Total salaries and related expenses	<u>31,259,111</u>	<u>5,040,558</u>	<u>36,299,669</u>
Operating supplies	2,055,310	392,335	2,447,645
Telephone	73,258	891,489	964,747
Non employee insurance	462,412	227,505	689,917
Rents and leases	422,359	527,368	949,727
Interest	-	626,502	626,502
Internal meetings	9,203	17,649	26,852
Utilities	16,448	431,304	447,752
Dues and subscriptions	157,864	128,402	286,266
Travel - local and out of area	198,260	144,237	342,497
Building repair and maintenance	140,635	511,045	651,680
Professional and contracted services	10,582,707	1,454,702	12,037,409
Advertising	13,891	227,034	240,925
Purchase for resale	1,766,868	-	1,766,868
Data processing	1,071,807	366,308	1,438,115
Training	48,131	34,883	83,014
Postage	7,761	46,228	53,989
Pantry food supplies	21,520	-	21,520
Miscellaneous and In-kind services	<u>167,992</u>	<u>315,101</u>	<u>483,093</u>
Total expenses before depreciation and amortization	48,475,537	11,382,650	59,858,187
Depreciation and amortization	<u>-</u>	<u>1,322,900</u>	<u>1,322,900</u>
TOTAL EXPENSES	<u>\$ 48,475,537</u>	<u>\$ 12,705,550</u>	<u>\$ 61,181,087</u>

MANATEE COUNTY RURAL HEALTH SERVICES, INC.
SCHEDULES OF CASH FLOWS
For the Years Ended November 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in unrestricted net assets	\$ 1,808,088	\$ 2,275,267
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation and amortization	1,393,601	1,322,900
Changes in assets and liabilities:		
(Increase) in accounts receivable	(7,243,196)	(5,714,942)
Decrease in prepaid expenses	2,885	84,841
(Increase) decrease in inventory	(40,910)	125,135
(Increase) in 457B salary deferrals	(122,990)	(103,646)
(Increase) decrease in deposits	(5,292)	45,444
Increase in accounts payable	310,655	481,294
Increase (decrease) in accrued expenses	43,292	(630,029)
Decrease in deferred revenue	(37,500)	-
Increase in 457B salary deferrals liability	<u>122,990</u>	<u>103,646</u>
Net cash (used in) operating activities	<u>(3,768,377)</u>	<u>(2,010,090)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investment	-	1,000,000
Purchase of property, plant and equipment	<u>(1,551,089)</u>	<u>(2,997,888)</u>
Net cash (used in) investing activities	<u>(1,551,089)</u>	<u>(1,997,888)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable, including lines of credit	5,122,261	10,650,000
Repayment of notes payable, including lines of credit	<u>(844,478)</u>	<u>(7,196,839)</u>
Net cash provided by financing activities	<u>4,277,783</u>	<u>3,453,161</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,041,683)	(554,817)
BEGINNING CASH AND CASH EQUIVALENTS	<u>3,196,359</u>	<u>3,751,176</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 2,154,676</u>	<u>\$ 3,196,359</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ 768,496</u>	<u>\$ 626,502</u>

MANATEE COUNTY RURAL HEALTH SERVICES, INC.
SCHEDULE OF REVENUE
For the Year Ended November 30, 2014

Source of Revenue	Program or Contract Title	Amount
U.S. Department of Health and Human Services	Bureau of Health Care and Delivery Assistance	\$ 6,973,420
U.S. Department of Health and Human Services	Ryan White Title III Early Intervention Services	550,000
Various Grants	Multiple	1,204,114
Hillsborough County, Florida	Ryan White Title II Medication Assistance	16,455
	Emerging Communities	24,219
Florida Department of Health	Primary Care Contracts	157,548
	ER Diversion	1,200,000
	Lab	82,272
	Low Income Pool	708,630
Healthy Start	Case Management	134,604
Manatee County Board of County Commissioners	Pharmaceutical Vouchers	155,994
	Dental	5,513
	Primary Care	643,524
Patients and Insurance Companies	Patient fees and other donations	56,351,068
Banks	Interest	6,670
Various	Other income	<u>505,413</u>
Total Revenue		<u>\$ 68,719,444</u>

ALLCARE OPTIONS, LLC
BALANCE SHEETS
November 30, 2014 and 2013

	2014	2013
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 34,016	\$ 2,510
Corporate Investment	<u>9,770</u>	<u>-</u>
	<u>\$ 43,786</u>	<u>\$ 2,510</u>
<u>LIABILITIES AND MEMBER'S EQUITY (DEFICIT)</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 1,750,331	\$ 758,420
LONG-TERM LIABILITIES		
Line of credit	<u>475,000</u>	<u>320,000</u>
TOTAL LIABILITIES	2,225,331	1,078,420
MEMBER'S EQUITY (DEFICIT)	<u>(2,181,545)</u>	<u>(1,075,910)</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY (DEFICIT)	<u>\$ 43,786</u>	<u>\$ 2,510</u>

ALLCARE OPTIONS, LLC
SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN MEMBER'S EQUITY
For the Years Ended November 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
REVENUES	<u>\$ -</u>	<u>\$ -</u>
EXPENSES		
Professional and medical services	1,042,287	667,827
Other contracted services	38,639	14,000
Insurance	-	6,411
Accounting services	8,070	10,681
Attorney fees	-	2,182
Postage	3,593	77
Training	-	195
Meetings	206	1,238
Supplies	1,286	851
Subscriptions and licenses	-	139
Bank charges	685	9,873
Interest charges	10,869	6,496
Sales and use tax	-	44
Total expenses	<u>1,105,635</u>	<u>720,014</u>
NET INCOME (LOSS)	(1,105,635)	(720,014)
MEMBER'S EQUITY (DEFICIT), BEGINNING OF YEAR	<u>(1,075,910)</u>	<u>(355,896)</u>
MEMBER'S EQUITY (DEFICIT), END OF YEAR	<u>\$ (2,181,545)</u>	<u>\$ (1,075,910)</u>

ALLCARE OPTIONS, LLC
SCHEDULES OF CASH FLOWS
For the Years Ended November 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (loss)	\$ (1,105,635)	\$ (720,014)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in assets and liabilities:		
Increase in accounts payable	991,911	514,545
Net cash used in operating activities	(113,724)	(205,469)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Corporate investment	(9,770)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	155,000	180,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	31,506	(25,469)
BEGINNING CASH AND CASH EQUIVALENTS	2,510	27,979
ENDING CASH AND CASH EQUIVALENTS	\$ 34,016	\$ 2,510
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	\$ 10,869	\$ 6,496

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
GOVERNMENTAL AUDITING STANDARDS

To the Board of Directors
Manatee County Rural Health Services, Inc.
Palmetto, Florida

We have audited, 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, the financial statements of Manatee County Rural Health Services, Inc. (a nonprofit organization), which comprise the combined statements of financial position as of November 30, 2014 and 2013, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated May 19, 2015. The financial statements of Allcare Options LLC were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Allcare Options LLC.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manatee County Rural Health Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



CERTIFIED PUBLIC ACCOUNTANTS

Bradenton, Florida
May 19, 2015

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

To The Board of Directors
Manatee County Rural Health Services, Inc.
Palmetto, Florida

Report on Compliance for Each Major Federal Program

We have audited Manatee County Rural Health Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Manatee County Rural Health Services, Inc.'s major federal programs for the year ended November 30, 2014. Manatee County Rural Health Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Manatee County Rural Health Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Manatee County Rural Health Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Manatee County Rural Health Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Manatee County Rural Health Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended November 30, 2014.

Report on Internal Control Over Compliance

Management of Manatee County Rural Health Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Manatee County Rural Health Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Manatee County Rural Health Services, Inc.'s internal control over compliance.

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

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

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



CERTIFIED PUBLIC ACCOUNTANTS

Bradenton, Florida
May 19, 2015

MANATEE COUNTY RURAL HEALTH SERVICES, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended November 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Bureau of Health Care Delivery and Assistance	93.224	N/A	\$ 5,800,000
Ryan White Title III Early Intervention Services	93.918	N/A	503,964
Passed through the Florida Department of Health			
Ryan White Part B - Primary Care HIV/AIDS	93.940	PSA86/PSA97	19,052
Ryan White Part B - Emerging Communities	93.940	PSA87	26,588
Ryan White Part B - Case Management HIV/AIDS	93.940	PSA61/PSA95	104,294
HOPWA	14.241	HB316/HB338	31,995
Passed through the Healthy Start Coalition of Manatee County, Inc.			
Maternal and Child Health Services Block Grant	93.994	RHS1112HCBCC Amendment 1 and 2	<u>21,379</u>
TOTAL FEDERAL FINANCIAL AWARDS			<u>\$ 6,507,272</u>

See notes to schedule of expenditures of federal awards.

MANATEE COUNTY RURAL HEALTH SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
November 30, 2014

1. Summary of Significant Accounting Policies:

The accounting policies and presentation of the Single Audit Report of Manatee County Rural Health Services, Inc. have been designed to conform to generally accepted accounting principles, including the reporting and compliance requirements of the Audits of States, Local Governments, and Non-Profit Organizations and Office of Management and Budget Circular A-133.

Basis of Accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accrual basis of accounting is followed in the Schedule of Expenditures of Federal Awards.

MANATEE COUNTY RURAL HEALTH SERVICES, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
 FEDERAL PROGRAMS
 For The Year Ended November 30, 2014

Part I – Summary of Auditors’ Results

Basic Financial Statement Section

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No
 Significant deficiencies identified? None reported
 Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No
 Significant deficiencies identified? No

Type of auditor’s report issued on compliance for major programs: Unmodified

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

Identification of major programs:

CFDA Number	Name of Program
93.224	Bureau of Health Care Delivery and Assistance

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

Auditee qualified as low-risk auditee? Yes

MANATEE COUNTY RURAL HEALTH SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL PROGRAMS
For The Year Ended November 30, 2014

Part II – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements for which *Government Auditing Standards* requires reporting in a Circular A-133 audit.

There were no such findings required to be reported.

Part III – Schedule of Findings and Questioned Costs – Federal Programs

This section identifies the audit findings required to be reported by Section 510(a) of Circular A-133 as well as any abuse findings involving federal awards that is material to a major program.

There were no such findings required to be reported.

Part IV – Other Matters

No Corrective Action Plan is required because there were no findings required to be reported under the Federal Single Audit Act.

Prior Year Findings and Questioned Costs – Major Federal Programs

There were no prior year findings.

MANATEE COUNTY RURAL HEALTH SERVICES, INC.
MANAGEMENT LETTER
For The Year Ended November 30, 2014

To The Board of Directors
Manatee County Rural Health Services, Inc.
Palmetto, Florida

To the Members
Allcare Options LLC
Palmetto, Florida

We have no management letter comments that need to be shared with Manatee County Rural Health Services, Inc. (a nonprofit organization) and Allcare Options LLC (an affordable care act organization) as of November 30, 2014.