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CHRISTIAN COMMUNITY HEALTH CENTER
Lansing, Illinois

FINANCIAL STATEMENTS
June 30, 2014 and 2013

Wealth Advisory

Outsourcing

Audit, Tax, and Consulting



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Christian Community Health Center
Lansing, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Christian Community Health Center (the "Center"), which comprise the statements of financial position as of June 30, 2014 and 2013 and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 financial statements referred to above present fairly, in all material respects, the financial position of Christian Community Health Center as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2015, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Christian Community Health Center's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Oak Brook, Illinois
August 19, 2015

**CHRISTIAN COMMUNITY HEALTH CENTER
STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013**

ASSETS	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 690,757	\$ 117,032
Patient fees receivable, less allowance for contractual adjustments, discounts and uncollectible accounts of \$2,031,869 in 2014 and \$2,165,038 in 2013	490,384	849,041
Grants receivable	1,050,896	731,464
Prepaid expenses and other current assets	<u>104,216</u>	<u>276,482</u>
Total current assets	<u>2,336,253</u>	<u>1,974,019</u>
PROPERTY AND EQUIPMENT		
Land	1,160,863	1,160,863
Building and improvements	4,399,503	4,360,014
Equipment	1,756,397	1,405,510
Furniture and fixtures	195,371	195,371
Vehicles	337,289	353,815
Construction in progress	<u>3,568,826</u>	<u>42,228</u>
Total, at cost	11,418,249	7,517,801
Less accumulated depreciation	<u>2,966,971</u>	<u>2,681,165</u>
Total property and equipment	<u>8,451,278</u>	<u>4,836,636</u>
OTHER ASSETS		
Investments - at cost	25,000	15,000
Deferred financing costs, net	67,345	90,130
Security deposits	<u>134,231</u>	<u>118,521</u>
Total other assets	<u>226,576</u>	<u>223,651</u>
TOTAL ASSETS	<u>\$ 11,014,107</u>	<u>\$ 7,034,306</u>

LIABILITIES AND NET ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES		
Lines of credit	\$ 296,522	\$ 429,990
Accounts payable and accrued liabilities	755,811	1,007,713
Accrued salaries and vacation pay	149,571	145,512
Construction costs payable	1,490,958	-
Grant funds received in advance of expenditures	725,381	333,251
Other current liabilities	84,957	-
Current portion of capital lease	73,880	-
Current portion of bond payable	-	172,274
Current portion of notes payable	<u>534,655</u>	<u>229,068</u>
Total current liabilities	<u>4,111,735</u>	<u>2,317,808</u>
LONG-TERM LIABILITIES		
Capital lease, net of current portion above	111,174	-
Other long-term liabilities	116,263	-
Bond payable	-	2,018,854
Notes payable	<u>4,633,785</u>	<u>2,494,237</u>
Total long-term liabilities	<u>4,861,222</u>	<u>4,513,091</u>
Total liabilities	<u>8,972,957</u>	<u>6,830,899</u>
NET ASSETS (DEFICIT)		
Unrestricted	1,824,603	(171,892)
Temporarily restricted net assets	<u>216,547</u>	<u>375,299</u>
Total net assets	<u>2,041,150</u>	<u>203,407</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,014,107</u>	<u>\$ 7,034,306</u>

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

**CHRISTIAN COMMUNITY HEALTH CENTER
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014**

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants and awards	\$ 7,085,594	\$ 25,354	\$ 7,110,948
Net patient service fees	1,717,711	-	1,717,711
Capitation and wrap payments	1,969,791	-	1,969,791
Interest income	145	-	145
Miscellaneous income	118,518	-	118,518
Contributions	74,729	-	74,729
Program fees	254,134	-	254,134
Net assets released from restrictions:			
Restrictions satisfied by payments - program service	184,106	(184,106)	-
Total support and revenue	11,404,728	(158,752)	11,245,976
EXPENSES			
Program services:			
Medical services	3,260,657	-	3,260,657
Housing and housing case management	3,949,001	-	3,949,001
Behavioral health services	419,505	-	419,505
Supporting services:			
Management and general	4,179,070	-	4,179,070
Fundraising	-	-	-
Total expenses	11,808,233	-	11,808,233
OPERATING LOSS	(403,505)	(158,752)	(562,257)
Government grant - capital related	2,400,000	-	2,400,000
CHANGE IN NET ASSETS	1,996,495	(158,752)	1,837,743
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(171,892)	375,299	203,407
NET ASSETS, END OF YEAR	\$ 1,824,603	\$ 216,547	\$ 2,041,150

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

CHRISTIAN COMMUNITY HEALTH CENTER
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants and awards	\$ 7,401,773	\$ 98,891	\$ 7,500,664
Net patient service fees	2,143,313	-	2,143,313
Capitation and wrap payments	1,938,389	-	1,938,389
Interest income	16	-	16
Miscellaneous income	209,378	-	209,378
Contributions	38,133	-	38,133
Program fees	224,444	-	224,444
Net assets released from restrictions:			
Restrictions satisfied by payments - program service	166,149	(166,149)	-
Total support and revenue	12,121,595	(67,258)	12,054,337
EXPENSES			
Program services:			
Medical services	3,892,484	-	3,892,484
Housing and housing case management	4,174,042	-	4,174,042
Behavioral health services	346,008	-	346,008
Supporting services:			
Management and general	3,871,497	-	3,871,497
Fundraising	4,412	-	4,412
Total expenses	12,288,443	-	12,288,443
OPERATING LOSS	(166,848)	(67,258)	(234,106)
Government grant - capital related	300,000	-	300,000
CHANGE IN NET ASSETS	133,152	(67,258)	65,894
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(305,044)	442,557	137,513
NET ASSETS (DEFICIT) , END OF YEAR	\$ (171,892)	\$ 375,299	\$ 203,407

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

**CHRISTIAN COMMUNITY HEALTH CENTER
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,837,743	\$ 65,894
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	302,333	308,900
Grants restricted for long-term purposes	(2,400,000)	(300,000)
Loss on refinancing of long-term debt	87,627	-
Amortization of deferred financing costs	8,828	10,014
Effects of changes in operating assets and liabilities:		
Patient fees receivable	358,657	89,227
Grants receivable	(319,432)	(166,354)
Prepaid expenses and other current asset	156,556	(38,697)
Accounts payable and accrued liabilities	(251,902)	96,403
Accrued salaries and vacation pay	4,059	(90,263)
Grant funds received in advance of expenditures	392,130	92,392
Other long-term liabilities	201,220	-
	<u>377,819</u>	<u>67,516</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(10,000)	-
Purchases of property and equipment	(2,168,129)	(112,160)
	<u>(2,178,129)</u>	<u>(112,160)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	(72,834)	-
Grants restricted for long-term purposes	2,400,000	300,000
Proceeds from notes payable	560,054	-
Payments on notes and bonds payable	(513,185)	(516,526)
	<u>2,374,035</u>	<u>(216,526)</u>
Net cash provided by (used in) financing activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	573,725	(261,170)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>117,032</u>	<u>378,202</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 690,757</u>	<u>\$ 117,032</u>

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

CHRISTIAN COMMUNITY HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2014

	Program Services			Supporting Services		Total
	Medical Services	Housing and Housing Case Management	Behavioral Health Services	Management and General	Fundraising	
Wages and salaries	\$ 1,881,714	\$ 1,753,412	\$ 269,271	\$ 1,874,720	\$ -	\$ 5,779,117
Payroll taxes	147,536	132,244	26,445	490,748	-	796,973
Employee benefits	17,486	56,661	5,330	479,622	-	559,099
		2,857				
Total salaries and related expenses	2,046,736	1,942,317	301,046	2,845,090	-	7,135,189
Independent contractors	171,333	2,857	38,075	-	-	212,265
Insurance	21,631	12,958	1,083	160,925	-	196,597
Patient supplies and fees	53,895	41,479	2,537	5,553	-	103,464
Patient labs and pharmaceutical costs	243,026	24,269	5,553	-	-	272,848
Housing program furniture and maintenance	-	-	-	-	-	-
Seminars and meetings	1,045	1,928	-	807	-	3,780
Occupancy - housing program	-	1,589,884	-	9,219	-	1,599,103
Office rent	-	78,767	-	-	-	78,767
Utilities	63,948	51,055	6,102	42,433	-	163,538
Building maintenance and services	40,234	25,880	4,844	36,266	-	107,224
Equipment and automobile maintenance and repairs	8,026	3,883	862	22,770	-	35,541
Depreciation and amortization	139,040	29,194	10,556	132,371	-	311,161
Telephone and communication	105,823	22,723	18,818	56,741	-	204,105
Professional fees	271,209	15,055	23,776	374,967	-	685,007
Office equipment and furniture	692	447	-	78	-	1,217
Office supplies, postage, and printing	41,770	24,421	6,752	58,523	-	131,466
General office	14,201	5,188	-	-	-	19,389
Advertising and promotion	8,175	634	-	4,006	-	12,815
Client assistance costs	1,075	30,317	2,775	-	-	34,167
Contributions	-	35	-	-	-	35
Interest	3,787	7,288	-	299,062	-	310,137
Miscellaneous	25,011	38,422	(3,274)	130,259	-	190,418
TOTAL EXPENSES	\$ 3,260,657	\$ 3,949,001	\$ 419,505	\$ 4,179,070	\$ -	\$ 11,808,233

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

CHRISTIAN COMMUNITY HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2013

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total</u>
	<u>Medical Services</u>	<u>Housing and Housing Case Management</u>	<u>Behavioral Health Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Wages and salaries	\$ 2,064,453	\$ 1,926,190	\$ 255,580	\$ 2,140,240	\$ -	\$ 6,386,463
Payroll taxes	187,487	148,032	21,045	390,320	-	746,884
Employee benefits	202,279	115,243	2,893	301,948	-	622,363
Total salaries and related expenses	2,454,219	2,189,465	279,518	2,832,508	-	7,755,710
Independent contractors	192,258	2,467	-	-	-	194,725
Insurance	20,855	13,561	1,258	116,383	-	152,057
Patient supplies and fees	90,268	25,026	623	-	-	115,917
Patient labs and pharmaceutical costs	237,169	10,409	-	-	-	247,578
Housing program furniture and maintenance	-	2,918	-	-	-	2,918
Seminars and meetings	5,946	1,927	-	3,010	-	10,883
Occupancy - housing program	-	1,583,102	-	1,900	-	1,585,002
Office rent	3,739	97,019	(1,832)	921	-	99,847
Utilities	61,268	55,830	859	34,620	-	152,577
Building maintenance and services	33,303	20,086	5,174	27,072	-	85,635
Equipment and automobile maintenance and repairs	7,828	5,278	36	20,863	-	34,005
Depreciation and amortization	148,377	34,617	6,093	129,827	-	318,914
Telephone and communication	193,568	49,381	22,939	63,407	-	329,295
Professional fees	322,271	13,512	19,245	278,846	-	633,874
Office equipment and furniture	-	-	331	-	-	331
Office supplies, postage, and printing	54,558	22,878	6,131	51,456	-	135,023
General office	33,229	3,258	1,948	(316)	-	38,119
Advertising and promotion	-	-	-	594	-	594
Client assistance costs	20	23,148	3,500	1,602	-	28,270
Contributions	-	-	-	-	-	-
Interest	3,751	10,023	58	284,555	-	298,387
Miscellaneous	29,857	10,137	127	24,249	4,412	68,782
TOTAL EXPENSES	\$ 3,892,484	\$ 4,174,042	\$ 346,008	\$ 3,871,497	\$ 4,412	\$ 12,288,443

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

**CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Christian Community Health Center (the "Center") is a nonprofit organization incorporated in the State of Illinois on December 18, 1991. The Center was organized to increase access to basic health care for the medically underserved population who live in and around the Roseland area on Chicago's far south side. In July 1993, the ministry began providing primary care health services at the Roseland Christian Health Center (d/b/a Christian Community Health Center). Other program services include community health education, the establishment of volunteer health workers for health promotion, supporting housing and case management, behavioral health services, and outreach. Program services also include a clerkship in community medicine for medical students and medical residents designed to encourage these physicians to eventually work in a medically underserved area.

The Center has a policy of providing care at reduced charges for patients who are unable to pay the full cost of services. Such patients are identified based on financial information they provide. For these patients, only the amount expected to be received is included in net patient revenue.

The Center receives a significant portion of its operating funds from grants and awards and patient fees. The Center's fiscal year ends on June 30. Significant accounting policies followed by the Center are presented below.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in preparing these financial statements include those assumed in computing the allowance for fee adjustments and billing discounts. Actual results could differ from those estimates.

Financial Statement Presentation

Financial statement presentation follows accounting principles generally accepted in the United States of America for nonprofit organizations. The Center 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. The Center currently has no permanently restricted net assets. In addition, the Center is required to present a Statement of Cash Flows.

Reclassifications

Certain reclassifications have been made to the 2013 financial statements to conform with the presentation of the 2014 financial statements. Such reclassifications have had no effect on total assets, liabilities, net assets or change in net assets previously reported.

CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

Cash Equivalents

The Center considers its operating and payroll checking accounts, petty cash, money market funds, and overnight investments to be cash equivalents.

Patient Fees Receivable

Patient fees receivables for which a third party payer is responsible for paying, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual fee adjustments or discounts provided to third party payers.

Patient fees receivables due directly from the patients are carried at the original charge for the service provided, less amounts covered by third party payers and less an estimated allowance for uncollectible receivables. Management determines the allowance for contractual adjustments, discounts, and uncollectible accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. Patient receivables are written off as adjustments to patient service revenue when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of patient service revenue adjustment account when received. The Center determines when an account is past due based on payer classification. The Center does not charge interest on past due accounts.

Grants Receivable

Grants receivable include unconditional promises to give. These promises are recognized as revenues or gains in the period received and as assets, decreases in liabilities or expenses depending on the form of benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment

The Center has purchased furniture in connection with various grant agreements which stipulate that the Center retains title to the assets during the grant term. The Center believes it is probable that it will be permitted to keep the assets when the grant term expires and has, accordingly, capitalized these assets that may revert to the grantor at the conclusion of the grant. The cost of capitalized furniture for the resident program was \$123,021 and \$123,021 at June 30, 2014 and 2013, respectively.

CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

Purchases in excess of \$500 are capitalized by the Center. Property and equipment are depreciated on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Building and improvements	10 - 40
Equipment	5 - 40
Furniture and fixtures	5
Vehicles	5

Construction in progress includes approximately \$2,600,000, \$433,000 and \$522,000 related to costs incurred for to the expansion and renovation of the Halsted, South Holland and Calumet City locations, all respectively. The estimated cost of the Halsted project is \$3,000,000 with an expected completion date of August 2014. The Halsted project is being funded by an Illinois Capital Development Board grant. See Note 3 for additional details on this project. The estimated cost of the South Holland and Calumet City projects are approximately \$2,700,000 and \$1,800,000, respectively. Both projects are expected to be completed during the fiscal year ending June 30, 2015. The South Holland and Calumet City projects are being funded with U.S. Department of Health and Human Services grant of approximately \$4,600,000.

Impairment of Long-Lived Assets

The Center reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Investments

The Center has acquired one (1) membership interest in Together4Health, LLC ("Together4Health"). This interest represents an approximate 2.5% ownership interest in Together4Health. The Center does not have significant influence over the management or operations of Together4Health. This investment is stated at cost of \$25,000 and \$15,000 as of June 30, 2014 and 2013. No dividends were received during the years ended June 30, 2014 and 2013.

CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Financing Costs

Amortization of deferred financing costs is computed on a straight-line basis over the term of the related debt. At June 30, 2014 and 2013, the accumulated amortization on the deferred financing costs was \$6,324 and \$60,087, respectively. During the year ended June 30, 2014, the Center wrote-off deferred financing costs associated with debt which was refinanced during the year. As a result of this the Center incurred a loss on refinancing of \$87,627 which is included in miscellaneous expense with the Statements of Functional Expense.

Other Liabilities

During the year ended June 30, 2014 the Center entered into a deferred payment agreement with the Illinois Department of Employment Security related to unemployment insurance due. Under the terms of this agreement the Center is required to make monthly payments of principal and interest in the amount of \$11,935, with the final payment due on June 26, 2016. As of June 30, 2014, amounts due under this agreement are \$84,957 and \$111,174, which are included in other current liabilities and other long-term liabilities, respectively.

Net Patient Service Fees

The Center has agreements with third party payers that provide for payments to the Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per encounter, reimbursed costs, case rates, discounted charges, per diem payments, and enhancements. Net patient service fees are reported at the estimated net realizable amounts from patients, third party payers, and others for services rendered, including retroactive adjustments under reimbursement agreements with third party payers as final settlements are determined. Contractual adjustments, discounts, and uncollectible accounts for the years ended June 30, 2014 and 2013 were approximately \$7,430,000 and \$6,749,000, respectively.

Sliding Fee Adjustments (Charity Care)

The Center is a nonprofit health care provider established to meet the health care needs of its community. The Center has a policy of providing care to uninsured patients who meet certain criteria under its policy at amounts less than its established rates, or without charge. However, all patients are requested to pay a minimum fee for each visit, although no patient is denied services because of inability to pay. Since management does not expect payment for this care, the services that are discounted from the established rates are excluded from revenue.

CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

Support and Revenue

Contributions are recognized as revenue when the donor makes a promise to give that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are 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 (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as "Net assets released from restrictions".

Grants are recognized as revenue when earned. Expense driven grants are recognized as revenue when the qualifying expenses have been incurred and all other grant requirements have been met. Grant funds received prior to the incurrence of the qualifying expenses are deferred.

Electronic Health Records Incentive Programs

As discussed in Note 13, the Center has received funds under the Electronic Health Records (EHR) Incentive Program. The Center recognized revenue for payments received during the period. Going forward, the Center will recognize revenue when management is reasonably assured they will meet all meaningful use objectives and any other specific grant requirements that are applicable, e.g., electronic transmission of quality measures to Centers for Medicare and Medicaid Services in the second and subsequent years payment is made.

Advertising Costs

The Center expenses advertising costs as incurred.

Income Tax Status

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Center 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 Center had no unrelated business income and there were no taxes owed for the years ended June 30, 2014 and 2013.

CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Center follows the requirements for accounting for uncertain tax positions. The Center determined that it was not required to record a liability related to uncertain tax positions.

Pending Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers. This guidance supersedes currently revenue recognition and most industry specific guidance. Under this standard, the core principle is that an “entity will recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods and services”. The standard requires that revenue is recognized as performance obligations within the resident contracts are satisfied. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effect Date, which deferred the effective date of this standard to years beginning after December 15, 2018. The Center has not determined the impact of the adoption of ASU 2015-14 on its financial statements

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. Under this standard, debt issuance costs will no longer be reported on the Statement of Financial Position as an asset. Such costs will be presented as a direct reduction from the carrying amount of the related debt. When adopted, amortization of deferred financing costs will be reported as a component of interest expense on the Statements of Operations. The standard is effective for years beginning after December 15, 2015. When adopted, this standard will be applied retrospectively for all years presented within the financial statements of the Center and result in a reduction of both total assets and total liabilities of approximately \$67,000.

NOTE 2 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

The following program and supporting services are included in the accompanying financial statements:

Medical Services

The Center was established to provide quality, affordable health care to the local community. The Center provides primary health care and health screening to adults and children. The full continuum of care includes family medicine, internal medicine, obstetrics/gynecology, pediatrics, and podiatry. Referral arrangements have been established for sub-specialty care. The dental clinic provides preventive, restorative, and emergency oral health care.

CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 2 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES (continued)

Housing and Housing Case Management

The Center has a supportive housing program with more than 280 units, serving individuals with identified health, mental health, or chronic homeless needs and individuals living with HIV/AIDS. The Center provides intensive case management services to the residents and offers support services such as employment readiness and behavioral and substance abuse counseling.

Behavioral Health Services

The Center operates the Healthy Choices Wellness Center, which provides psychiatric rehabilitation services to persons living with a serious and persistent mental illness, and those experiencing a significant impairment in their role functioning via individual/group therapy, and recreational activities. Using a multi-disciplinary team approach, the program is community-based. The services are designed to provide a supportive and therapeutic social environment where consumers can achieve individual rehabilitative, resiliency, and recovery goals.

Management and General

Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Center's program strategy through the executive director; secure proper administrative functioning of the board of directors; maintain component legal services for the program administration of the Center, and manage the financial and budgetary responsibilities of the Center.

Fundraising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

**CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013**

NOTE 3 - GRANTS RECEIVABLE

Grants receivable consist of the following:

	<u>2014</u>	<u>2013</u>
AIDS Foundation of Chicago	\$ 99,590	\$ 121,136
Center for Disease Control	32,208	14,951
Chicago Department of Family and Support Services	21,450	21,191
Chicago Department of Human Services	168,449	61,565
Chicago Department of Public Health	359,026	274,308
Department of Health and Human Services	230,015	77,757
Department of Housing and Urban Development	45,766	13,698
Illinois Department of Public Health	89,907	34,992
Polk Bros.	-	75,000
Visiting Nurses Foundation	-	30,000
Miscellaneous (<\$10,000 individually)	<u>4,485</u>	<u>6,866</u>
Total grants receivable	<u>\$ 1,050,896</u>	<u>\$ 731,464</u>

All amounts listed above are due within one year.

During the year ended June 30, 2012, the Center entered into a grant agreement with the State of Illinois as part of the Community Health Center Construction Grant Program. Under the terms of this agreement, the Center was eligible to receive up to \$3,000,000 for the expansion and renovation of the Center's Halsted clinic. Payment of the grant was contingent on the Center achieving various milestones, including selecting architects/engineers, entering into a construction contract, and incurring costs related to the clinic's expansion. As of June 30, 2013, the Center had satisfied the first condition resulting in a payment of \$300,000. As of June 30, 2014, the Center had satisfied additional conditions resulting in the recognition of \$2,400,000 of grant revenue. These amounts are shown as Government grant - capital related within the Statements of Activities as of June 30, 2014 and 2013. The remaining conditional grant payments are equal to \$300,000 as of June 30, 2014.

**CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013**

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Net assets restricted for purpose:		
Illinois Capital Development Board - Halsted expansion	\$ 73,715	\$ 245,341
Owens Foundation - footprints	13,775	13,775
Polk Bros. Shelter Plus	84,585	60,624
Visiting Nurses Association	30,000	30,000
Miscellaneous (<\$10,000 individually)	<u>14,472</u>	<u>25,559</u>
Total temporarily restricted net assets	<u>\$ 216,547</u>	<u>\$ 375,299</u>

NOTE 5 - LINES OF CREDIT

As of June 30, 2013, the Center maintained a line of credit agreement with a bank whereby the maximum borrowings permitted were \$430,000. As of June 30, 2013, \$429,990 was outstanding on the line of credit. The line of credit agreement included an initial maturity date of July 1, 2012, which was subsequently extended to November 1, 2013, before being refinanced on September 24, 2013. Interest payments are due monthly at the rate of 5% at June 30, 2013. The line of credit was secured by all assets and personal property of the Center.

On September 24, 2013, the Center entered into an agreement to refinance the line of credit described above with another lender. Under the terms of the new agreement, the Center has a \$365,000 revolving line of credit with a fixed interest rate of 5%. The line of credit matures on August 31, 2015 and requires monthly payments of interest only with all unpaid principal and interest due at maturity. The line of credit is secured by all assets and personal property of the Center and contains various covenants which were either met or waived by the lender as of June 30, 2014.

CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 6 - BOND PAYABLE

On December 10, 2007, the Center refinanced a majority of its outstanding debt through the issuance of Community Facility Revenue Bonds, Series 2007. The bond issuance totaled \$3,012,730 and required monthly principal and interest payments of \$25,516. The bond included interest for an initial interest period ending on November 12, 2012, at a fixed rate of 5.19%. During each interest period following the initial interest period, the bond shall bear interest at either a fixed or variable rate as determined by the issuer. As of June 30, 2013, the bond required interest at a fixed rate of 4.5%. Payments commenced on January 1, 2008, with final payment due on December 1, 2022. The bond was secured by various mortgages, security agreements, and the assignment of rents and leases relating to property owned by the Center. As of June 30, 2013, there was \$2,191,128 outstanding on the bond payable. During the year ended June 30, 2014, the bond payable was refinanced with notes payable as described in Note 7.

NOTE 7 - NOTES PAYABLE

The Center had a note payable to a bank with an initial balance of \$960,000. The outstanding balance on the note was \$281,341 at June 30, 2013. The note was evidenced by a promissory note bearing interest at a rate of 5%. Monthly principal and interest payments were due in the amount of \$4,138 through October 15, 2012. Effective October 15, 2012, the required monthly payments were reduced to \$3,126. Through various extensions, the maturity date was extended to November 1, 2013. Certain land and buildings, all equipment, fixtures, and personal property located on the premises, and all other equipment, vehicles, furniture, accounts receivable, and other property were pledged as collateral for the note. On September 13, 2013, the Center refinanced the outstanding balance of this note payable with the \$1,200,000 note payable described below.

On May 1, 2012, the Center entered into a note payable with a bank with an initial balance of \$902,000. The outstanding balance on the note was \$707,000 at June 30, 2013. The note was evidenced by a promissory note bearing interest at a rate of 5%. Monthly principal and interest payments were due in the amount of \$15,000. The note contained an initial maturity date of July 1, 2012. Effective October 15, 2012, the note's maturity date was extended to February 1, 2013 and the interest rate was reduced to the prime rate plus 1%; however, under no circumstances will the rate be less than 5%. Through various additional extensions, the note's maturity date was extended to November 1, 2013. Certain land and buildings, all equipment, fixtures and personal property located on the premises, and all other equipment, vehicles, furniture, accounts receivable, and other property were pledged as collateral for the note. On September 13, 2013, the Center refinanced the outstanding balance of this note payable with the \$1,200,000 note payable described below.

CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 7 - NOTES PAYABLE (continued)

On July 21, 2009, the Center executed a note payable with a lender for an initial balance of \$1,500,000. The outstanding balance on the note was \$1,192,145 and \$1,270,279 at June 30, 2014 and 2013, respectively. The note is evidenced by a promissory note bearing an initial fixed interest rate at 5.875%. The initial interest rate ends on January 31, 2015. Payments on the note were interest only beginning on August 1, 2009, and ended on February 1, 2010. Monthly principal and interest payments in the amount of \$12,557 commenced on March 1, 2010. The note matures on February 1, 2025. Subsequent fixed interest periods shall end on January 31, 2020 and February 1, 2025. The note is secured by the property acquired by the Center with the note proceeds and security agreements and assignment of rents and leases relating to property owned by the Center.

On April 19, 2011, the Center executed a note payable with a lender for an initial balance of \$240,000. The outstanding balance on the note was \$206,257 and \$217,876 at June 30, 2014 and 2013, respectively. The note is evidenced by a promissory note bearing an initial fixed interest rate at 5.875%. The initial interest rate ends on April 30, 2016. Monthly principal and interest payments in the amount of \$2,009 commenced on June 1, 2011. The note matures on May 15, 2026. Subsequent fixed interest periods shall end on May 1, 2016 and May 1, 2026. The note is secured by the property acquired by the Center with the note proceeds and security agreements and assignment of rents and leases relating to property owned by the Center.

On September 13, 2013, the Center entered into an agreement with a lender to refinance the outstanding balance on the notes payable with initial balances of \$960,000 and \$707,000 described above. Under the terms of the agreement, the Center was provided with a \$1,200,000 note payable at a fixed rate of 5.25%. The note requires monthly principal and interest payments of \$9,647 and matures on October 1, 2028. The note is secured by substantially all assets of the Center and security agreements and assignment of rents and leases relating to property owned by the Center. The outstanding balance on the note was \$1,164,284 at June 30, 2014.

On September 24, 2013, the Center entered into an agreement with a lender for a \$471,397 term loan. Under the terms of the agreement, the Center is required to make monthly principal and interest payments of \$14,250. The term loan bears interest at a fixed rate of 5.5% and matures on September 24, 2016. The note is secured by substantially all assets of the Center and security agreements and assignment of rents and leases relating to property owned by the Center. The outstanding balance on the note was \$360,774 at June 30, 2014.

On September 24, 2013, the Center entered into an agreement to refinance the bond payable described in Note 6 with another lender. Under the terms of the new agreement, the Center was provided with a \$2,174,244 commercial mortgage loan at a fixed rate of 5.19%. The mortgage loan requires monthly principal and interest payments of \$23,343 and matures on September 24, 2018. The mortgage loan is secured by substantially all assets of the Center and security agreements and assignment of rents and leases relating to property owned by the Center. The outstanding balance on the note was \$2,047,533 at June 30, 2014.

**CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013**

NOTE 7 - NOTES PAYABLE (continued)

The Center has entered into an extended repayment plan with its Medicare contractor to repay \$286,931 owed from a final cost report settlement. Under the terms of the repayment agreement, the amount will be repaid over a period of five years in monthly installments of \$6,176 including interest at 11%. The final payment is scheduled to be made on August 1, 2017. The outstanding balance on the note was \$197,447 and \$246,809 at June 30, 2014 and 2013, respectively.

Included in the terms of the above described refinancing transactions, are requirements to meet annual financial covenants including debt service coverage ratio, net asset balance and current ratio. These covenants were either met or waived by the lender as of June 30, 2014.

Future minimum principal payments on the notes are as follows:

Years Ending June 30,

2015	\$ 534,655
2016	567,713
2017	471,932
2018	393,568
2019	1,459,692
Thereafter	<u>1,740,880</u>
Total	<u>\$ 5,168,440</u>

NOTE 8 - CONTRACTUAL ARRANGEMENTS WITH THIRD PARTY PAYERS AND PROVISIONS FOR COMMUNITY SERVICE

The Center has agreements with third party payers which provide for reimbursement at amounts different from their established rates. Contractual adjustments under third party reimbursement programs principally represent the differences between the Center's billings at list price and the amounts reimbursed by Medicare, Medicaid, and certain other third party payers; they also include any differences between estimated retroactive third party reimbursement settlements for prior years and subsequent final settlements.

CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

**NOTE 8 - CONTRACTUAL ARRANGEMENTS WITH THIRD PARTY PAYERS AND
PROVISIONS FOR COMMUNITY SERVICE (continued)**

A summary of the basis of reimbursement with major third party payers follows:

Medicare

The Center is paid for inpatient acute care and outpatient services rendered to Medicare program beneficiaries under prospectively determined rates. The rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The Center's classification of patients under the prospective payment systems, as well as the appropriateness of patient admissions, are subject to validation reviews by the Medicare peer review center, which is under contract with the Center to perform such reviews. Net amounts received under these arrangements approximated \$302,000 and \$273,000 for the years ended June 30, 2014 and 2013, respectively. For services rendered to Medicare beneficiaries for outpatient services and psychiatric services, the Center was reimbursed based upon prospectively determined rates. The rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors.

Medicaid

The Center is paid for inpatient acute care services rendered to Medicaid program beneficiaries based on a fee for service. The prospectively determined rates are not subject to retroactive adjustment. The Center also receives Medicaid reimbursement for specific programs and services at the discretion of the State of Illinois Medicaid program. Net amounts received under these arrangements approximated \$3,120,000 and \$1,912,000 for the years ended June 30, 2014 and 2013, respectively. Medicaid reimbursement may be subject to periodic adjustment, as well as to changes in annual reimbursement rates.

Managed Care/Private Insurance Organizations

The Center also participates as a provider of health care services under various agreements with health maintenance organizations (HMOs) and preferred provider organizations (PPOs). The terms of each contract will vary, but typically will include a negotiated discount offered by the Center for services provided to contracted HMO and PPO patients. Net amounts received under these arrangements approximated \$1,490,000 and \$1,040,000 for the years ended June 30, 2014 and 2013, respectively.

CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 8 - CONTRACTUAL ARRANGEMENTS WITH THIRD PARTY PAYERS AND PROVISIONS FOR COMMUNITY SERVICE (continued)

Charity Care

The Center is a nonprofit health care provider established to meet the health care needs of its community. The Center provides care to patients who meet certain criteria under its charity care policy without charge, or at amounts less than established rates. For the years ended June 30, 2014 and 2013, the Center provided charity care of approximately \$679,000 and \$436,000, respectively. The estimated cost of charity care has been estimated based on a cost per encounter developed from the Center's Medicare cost report applied to the number of self pay and sliding fee scale encounters.

NOTE 9 - LEASES

The Center leases approximately 200 apartments under operating leases for its housing program expiring on various dates through June 30, 2015. Total future minimum lease payments under these leases are approximately \$1,500,000. These leases require monthly lease payments ranging from \$500 to \$1,350. The Center is not responsible for operating expenses under these lease agreements. Apartment rental expense for the years ended June 30, 2014 and 2013 was approximately \$1,592,000 and \$1,581,000, respectively.

The Center leases a facility under an operating lease for use in its program services delivery. The leases expire on December 31, 2015. The leases require monthly lease payments of \$4,693, plus the Center's proportionate share of operating expenses, taxes, and insurance. For the years ended June 30, 2014 and 2013, facility lease expense was approximately \$84,000 and \$100,000, respectively, excluding operating costs.

Future lease commitments for the office space are as follows, as of June 30, 2014:

Years Ending June 30,

2015	\$ 55,493
2016	<u>28,156</u>
Total	<u>\$ 83,649</u>

CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 10 - CAPITAL LEASE

The Center leases certain equipment under capital leases. Included within total property and equipment is \$257,888 and \$0 at June 30, 2014 and 2013, respectively, of assets held under capital lease and \$21,491 and \$0 of accumulated amortization at June 30, 2014 and 2013, respectively. A summary of future minimum lease payments and present value of the future minimum lease payments related to capital leases is as follows:

Years Ending June 30,

2015	\$ 81,167
2016	40,219
2017	40,219
2018	<u>40,219</u>
Total future minimum lease payments	201,824
Less amount representing interest at 5.5%	<u>(16,770)</u>
Present value of future minimum lease payments	185,054
Less current portion of capital lease	<u>73,880</u>
Capital lease, net of current portion	<u>\$ 111,174</u>

NOTE 11 - INDEPENDENT CONTRACTORS

The Center utilizes independent contractors to provide various services as subcontractors to the Center. The Center has annual agreements with these independent providers and disburses funds to these providers based upon claims submitted during the year. Expenses under these agreements were approximately \$174,000 and \$195,000 for the years ended June 30, 2014 and 2013, respectively.

NOTE 12 - CASH FLOW DISCLOSURES

Cash paid for interest was approximately \$308,000 and \$313,000 during the years ended June 30, 2014 and 2013, respectively.

During the year ended June 30, 2014, the Center had the following non-cash investing and financing activities.

As explained in Note 7, the Center refinanced its bond payable and other notes payable via the issuance of notes payable in the amount of approximately \$3,300,000. As part of this refinancing, deferred financing costs in the amount of \$73,670 were incurred and paid. The Center also incurred a loss on refinancing in the amount of \$87,627 related to the write-off of deferred financing costs associate with the refinanced debt.

CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 12 - CASH FLOW DISCLOSURES (continued)

The Center entered into a capital lease agreement for equipment in the amount of \$257,888.

During the year ended June 30, 2013, the Center had no non-cash investing and financing activities.

NOTE 13 - ELECTRONIC HEALTH RECORDS INCENTIVE PROGRAM

The Electronic Health Records (EHR) Incentive Program was enacted as part of the American Recovery and Reinvestment Act of 2009 (ARRA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act. These acts provided for incentive payment under both the Medicare and Medicaid programs to eligible organizations that demonstrate meaningful use of certified EHR technology. The incentive payments are made based on a statutory formula and are contingent on the Center continuing to meet the escalating meaningful use criteria. For the first payment year, the Center must attest, subject to an audit, that it met the meaningful use criteria for a continuous 90-day period.

The Center recognized incentive revenue of approximately \$85,000 and \$188,000 during the years ended June 30, 2014 and 2013, respectively. This amount is included in "Miscellaneous income" in the Statements of Activities.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Medical Malpractice Insurance Coverage and Claims

The Center is covered under the provision of the Federal Tort Claims Act (FTCA) for malpractice. The FTCA is a government-funded program which allows federally qualified health centers to be covered for malpractice.

Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. This coverage has not changed significantly from the previous year. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)

Litigation

The Center is involved in various legal actions in the normal course of business. The actions are in various stages of processing, and some may ultimately be brought to trial. In the opinion of management, adequate provision has been made for amounts expected to be paid under the policy's deductible limits for unasserted claims not covered by the policy and any other uninsured liability.

Grants

The Center has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a review or audit by the grantor may become a liability of the Center. Management believes any such liabilities would be immaterial if they occurred. No provision for refunds has been accrued in the financial statements. Such amounts will be recognized in the period they become known.

According to federal regulations, the equipment items obtained through the Federal Health Grant are subject to a lien by the federal government. As long as the Center does not change its status from a nonprofit organization, or so long as the equipment is used for a purpose closely related to the project goals, the Center is not required to reimburse the federal government. If the stated requirements are not met, the Center would be obligated to the federal government in an amount equal to the fair value of the equipment.

Health Care Legislation and Regulation

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violation of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Center is in substantial compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations is subject to government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)

Other

The U.S. Department of Health and Human Services approves the Center's annual budget.

The Center is routinely subject to compliance audits in accordance with provisions of its contracts with various government agencies. During the period December 2009 to August 2011, the Center's third party billing company submitted Medicare claims for group psychotherapy services rendered by the Center. The patient visits were paid by Medicare; however, a self-audit is taking place to insure that the appropriate current procedural terminology codes were utilized and catalogued during the billing process. It is not possible to estimate the amount of any adjustments or reimbursement that may be due, if any, as a result of this audit.

Financial Condition

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

As of June 30, 2014 and 2013, the Center has a deficit in net working capital of \$1,875,482 and \$343,789. A portion of the June 30, 2014 deficit is attributable to \$1,490,958 of construction costs payable which will be funded with the U.S. Department of Health and Human Services grant discussed in Note 1 - Property and Equipment.

Furthermore, the terms of the Center's loan and security agreement require compliance with certain ratios on an annual basis, including debt service coverage ratio (DSCR). Although there was a positive increase in net assets during the year ended June 30, 2014, the DSCR excludes capital expenditures and as a result of this the Center was not in compliance with this ratio as of June 30, 2014. However the lender did not request accelerating the outstanding debt and, in addition, waived the aforementioned covenant as of June 30, 2014.

During this period, the Center addressed opportunities to strengthen its financial condition by continuing to implement a business plan. This plan includes generating new sources of unrestricted revenues such as the 340B agreement signed with a contract pharmacy as well as expanded relationships with managed care organizations and commercial insurance groups. Additionally, the Center is recruiting an experienced chief medical officer to improve provider management and is increasing the Center's patient encounter capacity through the capital projects discussed in Note 1. These capital projects will result in an additional 10 exam rooms for the Center. Part of this business plan included the successful refinancing of the debt outstanding as of the year ended June 30, 2013 (see Notes 6 and 7). Additionally, the Center has remained current on all debt service obligations during the years ended June 30, 2014 and 2013. The ability of the Center to continue to establish and maintain a positive financial condition depends upon the Center continuing to successfully implement its business plan.

CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 15 - SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Allowance for Fee Adjustments and Billing Discounts

The allowance for fee adjustments and billing discounts for patient fees receivable is estimated based upon prior year collection rates and experience within the industry. If actual collection rates are less than expected, management's estimate of the net realizable value of patient fees receivable could be adversely affected. At June 30, 2014 and 2013, the allowance for billing discounts and fee adjustments was estimated at approximately \$2,578,000 and \$2,165,000 respectively.

Grantors

Approximately 71% of total grants and awards revenue for the year ended June 30, 2014, was provided by three grantors. Approximately 4% of the June 30, 2014 grants receivable balance was due from these three grantors.

NOTE 16 - SUBSEQUENT EVENTS

Management evaluated subsequent events through August 19, 2015, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2014, but prior to August 19, 2015 that provided additional evidence about conditions that existed at June 30, 2014, have been recognized in the financial statements for the year ended June 30, 2014. Events or transactions that provided evidence about conditions that did not exist at June 30, 2014, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2014.

This information is an integral part of the accompanying financial statements.

Impactful interactions for success

CHRISTIAN COMMUNITY HEALTH CENTER
Chicago, Illinois

SINGLE AUDIT REPORTS
June 30, 2014

Wealth Advisory

Outsourcing

Audit, Tax, and Consulting



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Christian Community Health Center
Lansing, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Christian Community Health Center (the Center), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 19, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, Responses, and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings, Responses, and Questioned Costs as Findings 2015-001, 2015-005, 2014-008, 2014-009 and 2014-010 to be material weaknesses.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings, Responses, and Questioned Costs as Findings 2014-001 and 2014-005.

The Center's Responses to Findings

The Center's responses to the Findings identified in our audit are described in the accompanying Schedule of Findings, Responses, and Questioned Costs in which the Findings are reported. The Center's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Oak Brook, Illinois
August 19, 2015



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Christian Community Health Center
Lansing, Illinois

Report on Compliance for Each Major Federal Program

We have audited Christian Community Health Center's (the Center) compliance with the types of compliance requirements described in the Office of Management and Budget (*OMB Circular A-133, Compliance Supplement*) that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2014. The Center's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Basis for Qualified Opinion on CFDA 14.238 Shelter Plus Care, CFDA 93.224/93.527 Health Centers Cluster, CFDA 93.526 Affordable Care Act (ACA) Grants for Capital Development in Health Centers, and CFDA 93.914 IV Emergency Relief Project Grants.

As described in the accompanying schedule of Findings, Responses and Questioned Costs, the Center did not comply with requirements regarding CFDA 14.238 Shelter Plus Care, CFDA 93.224/93.527 Health Centers Cluster, CFDA 93.526 Affordable Care Act (ACA) Grants for

Capital Development in Health Centers, and CFDA 93.914 IV Emergency Relief Project Grants as described in Finding 2014-001 for Cash Management and CFDA# 93.224/93.527 Health Centers Cluster as described in finding 2014-005 for Program Income. Compliance with such requirements is necessary, in our opinion, for the Center to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 14.238 Shelter Plus Care, CFDA 93.224/93.527 Health Centers Cluster, CFDA 93.526 Affordable Care Act (ACA) Grants for Capital Development in Health Centers, and CFDA 93.914 IV Emergency Relief Project Grants

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 14.238 Shelter Plus Care, CFDA 93.224/93.527 Health Centers Cluster, CFDA 93.526 Affordable Care Act (ACA) Grants for Capital Development in Health Centers, and CFDA 93.914 IV Emergency Relief Project Grants for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying Schedule of Findings, Responses and Questioned Costs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings, Responses, and Questioned Costs as Findings 2014-002, 2014-003, 2014-004, 2014-006 and 2014-007. Except as described above in the *Basis for Qualified Opinion* paragraph, our opinion on each major federal program is not modified with respect to these matters.

The Center's responses to the noncompliance Findings identified in our audit are described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The Center's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on those responses.

Report on Internal Control Over Compliance

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

control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings, Responses, and Questioned Costs as Findings 2014-001 and 2014-005 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings, Responses, and Questioned Costs as Findings 2014-002, 2014-003, 2014-004, 2014-006, and 2014-007 to be significant deficiencies.

The Center's responses to the internal control over compliance Findings identified in our audit are described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The Center's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on those responses.

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 result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Center as of and for the year ended June 30, 2014, and have issued our report thereon dated August 19, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the

Board of Directors
Christian Community Health Center

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 SEFA is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Oak Brook, Illinois
August 19, 2015

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grant/Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development			
Passed-through City of Chicago Department of Public Health:			
Mobile Health Van	14.218	PO # 25366 & 29523	\$ 45,481
Passed-through City of Chicago Department of Human Services:			
Domestic Violence Prevention	14.218	PO # 27006 & 29208	45,175
Domestic Violence Counseling	14.218	PO # 27006 & 29208	31,997
Amani Shelter	14.218	PO # 18836 & 27126	<u>66,910</u>
			<u>189,563</u>
Passed-through AIDS Foundation of Chicago:			
SHP Merger	14.235	Unavailable	50,852
Low-Income Housing Trust Fund	14.235	N/A	<u>152,877</u>
			<u>203,729</u>
Passed-through City of Chicago Department of Human Services:			
Shelter Plus Care	14.238	PO # 24425-2 & 24425-3	78,625
EnHarmony Bonus Project	14.238	N/A	<u>1,739,057</u>
			<u>1,817,682</u> *
Passed-through AIDS Foundation of Chicago:			
CHHP - SPNS - Housing & Support Services	14.241	Unavailable	23,759
Housing Opportunities for Persons with AIDS	14.241	Unavailable	83,300
RHHP Re-entry	14.241	Unavailable	<u>69,907</u>
			176,966

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grant/Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development (continued)			
Passed-through City of Chicago Department of Public Health:			
Housing Opportunities for Persons with AIDS	14.241	PO # 21134 & 27882	<u>119,003</u>
			<u>295,969</u>
Total U.S. Department of Housing and Urban Development			<u>2,506,943</u>
U.S. Department of Health and Human Services			
Consolidated Health Centers	93.224	N/A	<u>1,565,048</u> *
Substance Abuse and Mental Health Services Healthy Connections	93.243	N/A	2,500
Passed-through City of Chicago Department of Public Health:			
Minority AIDS Initiative Targeted Capacity Expansion Program	93.243	PO # 26529	<u>100,984</u>
			<u>103,484</u>
HRSA Sickle Cell	93.365	N/A	<u>329,357</u> *
Affordable Care Act Grants for Capital Development	93.526	N/A	<u>442,387</u> *
Passed-through City of Chicago Department of Family and Support Services:			
Footprints and Amani House	93.569	PO # 18836 & 27126	193,996
Passed-through City of Chicago Department of Public Health:			
Title 1 Part A Mental Health	93.914	PO # 23788 & 29969	72,536
Part A Ryan White Oral Health		PO # 23788 & 29969	65,256
Part A Substance Abuse		PO # 23788 & 29969	51,175
MAI Psychosocial		PO # 23807 & 29970	14,454
Title 1 Primary Care		PO # 23788 & 29969	<u>266,215</u>
			469,636

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grant/Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services (continued)			
Passed-through AIDS Foundation of Chicago:			
Part A Transportation	93.914	Unavailable	<u>21,924</u>
			<u>491,560</u> *
ORS Case Management	93.917	Unavailable	<u>140,306</u>
Ryan White Title III Early Intervention Services with Respect to HIV Disease Part C	93.918	N/A	<u>225,994</u>
Human Immunodeficiency Virus (HIV) Prevention CDC 04064	93.939	N/A	<u>206,876</u>
Total U.S. Department of Health and Human Services			<u>3,699,008</u>
TOTAL FEDERAL EXPENDITURES			<u><u>\$ 6,205,951</u></u>

* This program was tested as a major program for the fiscal year ended June 30, 2014.

This schedule should be read only in connection with the accompanying
notes to schedule of expenditures of federal awards.

**CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014**

NOTE 1 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Center and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in, the preparation of the basic financial statements.

NOTE 2 - SUBRECIPIENTS

During the year, the Center provided no support to subrecipients.

NOTE 3 - OTHER MATTERS

Amount of noncash assistance - None.
Amount of insurance - None.
Amount of loans - None.
Amount of loan guarantees - None.

This information is an integral part of the accompanying schedule.

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2014**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes X none reported
- Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X yes none reported

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

Qualified for cash management on CFDA numbers 14.238, 93.224/93.527, 93.526 and 93.914. Qualified for program income on CFDA number 93.224/93.527. Unmodified opinion for remaining compliance requirements within major programs.

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
<u>14.238</u>	<u>Shelter Plus Care</u>
<u>93.224/93.527</u>	<u>Health Centers Cluster</u>
<u>93.365</u>	<u>Sickle Cell Treatment Demonstration Program</u>
<u>93.526</u>	<u>Affordable Care Act (ACA) Grants for Capital Development in Health Centers</u>
<u>93.914</u>	<u>HIV Emergency Relief Project Grants</u>

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

Auditee qualified as low-risk auditee? yes X no

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2014**

Section II - Financial Statement Findings

Finding 2014-001 – Cash Management

See Section III for description of finding

Finding 2014-005 - Program Income

See Section III for description of finding

Finding 2014-008 - Financial Statement Preparation

Type of Finding:

Material weakness in internal control over financial reporting

Condition:

The Center engages CliftonLarsonAllen LLP (CLA) to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the Center's internal control system. As part of its internal control over the preparation of its financial statements, including disclosures, the Center has implemented a comprehensive review process to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of accounting principles generally accepted in the United States of America and knowledge of the Center's activities and operations.

Criteria:

Management is responsible for adopting sound accounting policies and establishing and maintaining a system of internal control for the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America.

Context:

The board of directors (board) and management share the ultimate responsibility for the Center's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. Preparation of year-end financial statements and footnotes is a component of the Center's internal control.

Cause:

The Center's personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the Center's financial statements and related disclosures, to provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected on a timely basis.

Effect:

Inaccurate financial reporting may occur without the appropriate controls in place related to financial statement preparation.

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2014**

Section II - Financial Statement Findings (continued)

Finding 2014-008 - Financial Statement Preparation (continued)

Recommendation:

The Center should design and implement a comprehensive review procedure to ensure the financial statements, including disclosures, are complete and accurate.

Views of responsible officials and planned corrective action:

Management understands that it is responsible, along with the board, for the preparation of the year-end financial statements and related disclosures as well as ensuring their completion and accuracy. Management will design and implement a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate.

Finding 2014-009 - Audit Adjustments

Type of Finding:

Material weakness in internal control over financial reporting

Condition:

Numerous audit adjustments were necessary as a result of accounts not being timely reconciled for the year ended June 30, 2014.

Criteria:

Management is responsible for adopting sound accounting policies and establishing and maintaining a system of internal control for the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America.

Context:

These adjustments were related to; patient receivables and revenue (\$832,543 decrease), grant receivables and revenue (\$339,850 increase), construction in process and construction costs payable (\$1,490,958 increase), prepaid expenses (\$24,849 increase), deferred financing expenses (\$67,345 increase), accounts payable (\$24,849 increase), accrued expenses (\$23,636 decrease), other revenues (\$22,000 increase) and other expenses (\$68,981 decrease).

Cause:

The accounts at June 30, 2014 were not thoroughly analyzed to determine any necessary adjustments or reclassifications prior to the audit commencing.

Effect:

Inaccurate financial reporting could adversely affect the decision making process for the management of the Center.

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2014**

Section II - Financial Statement Findings (continued)

Finding 2014-009 - Audit Adjustments (continued)

Recommendation:

The Center should design and implement a comprehensive review procedure for all asset and liability accounts to ensure they reconcile to the underlying supporting documentation.

Views of responsible officials and planned corrective action:

Management understands that it is responsible for the number of audit adjustments that were necessary as a result of accounts not being timely reconciled for the year ended June 30, 2014. Management will design and implement a comprehensive review procedure for all asset and liability accounts to ensure they reconcile to the underlying supporting documentation.

Finding 2014-010 - Check Signing Policy

Type of Finding:

Material weakness in internal control over financial reporting

Criteria:

The Center has adopted a policy whereby all disbursements in excess of \$10,000 require two signatures, one of which is to be a member of the board.

Condition:

During the course of the audit, it was noted the Center regularly processed and issued individual checks less than \$10,000 to the same vendor on the same day, which on a cumulative basis, exceeded the \$10,000 threshold.

Context:

A total of 59 instances were noted where multiple checks were issued to the same vendor on the same day and totaled at least \$10,000.

Cause:

Management did not comply with internal control procedures.

Effect:

Noncompliance with internal control policies implemented to ensure disbursements are appropriate and necessary.

Recommendation:

The Center should follow the internal control procedure as previously approved or modify the control to accommodate business operations.

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2014**

Section II - Financial Statement Findings (continued)

Finding 2014-010 - Check Signing Policy (continued)

Views of responsible officials and planned corrective action:

Management understands that there is a policy whereby all disbursements in excess of \$10,000 require two signatures, one of which is to be a member of the board. Management will follow the internal control procedure as previously approved and if warranted, recommend a policy modification to the board for its approval prior to any procedural modification.

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2014**

Section III - Federal Award Findings and Questioned Costs

Finding 2014-001 – Cash Management

Federal Agency: U.S. Department of Housing and Urban Development
U.S. Department of Health and Human Services
Major Program: Shelter Plus Care, Health Centers Cluster, Affordable Care Act (ACA)
Grants for Capital Development in Health Centers and HIV Emergency
Relief Project Grants
CFDA Numbers: 14.238, 93.224/93.527, 93.526, 93.914
Passed through: City of Chicago (14.238 & 93.914) and Aids Foundation of Chicago
(93.914)
Grant Number: Various
Grant Period: Various
Type of Finding: Material weakness in internal control over financial reporting
Material weakness in internal control over compliance
Compliance

Criteria:

An entity in receipt of federal funding is responsible for establishing policies and procedures which provide reasonable assurance that transactions are properly recorded, accounted for, and presented in the financial statements. Furthermore, when grants are funded on a reimbursements basis, reimbursement requests should only be submitted for the value of actual costs incurred. For grants funded via advances, an Organization should minimize the time between the transfer of federal funds and the disbursement of funds for program purposes.

Condition:

There were instances in which there was no internal approval of drawdown or reimbursement requests, duplicate/incorrect recording of grant revenue, incorrect application of cash receipts and funds requested in excess of expenses incurred or to be incurred.

Questioned Costs:

Unknown

Context:

During our review of transactions recorded for grant revenue we noted; 4 of 48 transactions in which there was no documentation of internal review and approval for the drawdown or reimbursement request, 7 of 48 transactions in which there was either duplicate or incorrect initial recording of grant revenue, and 2 of 48 instances in which funds were requested in excess of expenses incurred or to be incurred.

Cause:

Unknown

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2014**

Section III - Federal Award Findings and Questioned Costs (continued)

Finding 2014-001 – Cash Management (continued)

Effect:

Lack of proper controls over the cash management process can result in inaccurate financial and grant reporting, as well as funds being requested prior to appropriate expenses being incurred (or expected to be incurred).

Recommendation:

Management should develop of robust and comprehensive grants management process. This process should include regular monitoring of grants revenue, receivables and expenses incurred. This information should be compared and reconciled to the underlying grant documents to ensure that fund are being requested at the appropriate time and properly recorded within the general ledger.

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to finding: Management will revise its current grants management and drawdown process to include a review and approval of potential drawdowns in advance of them being initiated with the review being performed by someone other than the person who is initiating the drawdown. Additionally, a process will be implemented whereby the revenues, expenses and receivables for each grant are reviewed on a monthly basis and compared to the applicable supporting documentation to ensure the accuracy and reliability of grant reporting.

Responsible party: Director of Finance

Planned completion date for corrective action plan: December 2015

Finding 2014-002 - Allocation of Payroll Costs

Federal Agency: U.S. Department of Housing and Urban Development
U.S. Department of Health and Human Services
Major Program: Shelter Plus Care, Health Centers Cluster, Sickle Cell Treatment
Demonstration Program, and HIV Emergency Relief Project Grants
CFDA Numbers: 14.238, 93.224/93.527, 93.365, 93.914
Grant Number: Various
Grant Period: Various
Type of Finding: Significant deficiency in internal control over compliance
Compliance

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2014**

Section III - Federal Award Findings and Questioned Costs (continued)

Finding 2014-002 - Allocation of Payroll Costs (continued)

Criteria:

Under allowable costs/cost principles, an organization is required to have a system of controls in place to safeguard organizational assets and ensure that only allowable costs are charged to federal programs. OMB Circular No. A-122 states that charges to federal awards for salaries and wages are to be supported by reports that reflect an after-the-fact determination of the actual activity of each employee and not be based upon estimated amounts.

Condition:

The Center charges payroll costs to federal programs based upon budgeted amounts within the grant agreements.

Questioned Costs:

Unknown

Context:

This condition affects each of the federal programs listed above.

Cause:

The Center has not yet development sufficient policies and procedures to comply with the time and effort reporting required by OMB Circular No. A-122.

Effect:

Because the Center does not have procedures in place to monitor and record employee time devoted to federal programs, inaccurate payroll costs may have been charged to federal programs.

Recommendation:

Management should develop practical employee time documentation procedures that will properly support payroll expense costs charged to the Center's programs. Appropriate documentation should include a time allocation evidenced by employee signature and a review and approval process evidenced by management's initials.

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to finding: Management will work to develop and implement a time study process which results in payroll expense for the entire year being subject to the policies and procedures related to documenting time allocated to federal grants.

Responsible party: Director of Finance

Planned completion date for corrective action plan: December 2015

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2014**

Section III - Federal Award Findings and Questioned Costs (continued)

Finding 2014-003 - Reporting

Federal Agency: U.S. Department of Housing and Urban Development
U.S. Department of Health and Human Services
Major Program: Shelter Plus Care, Health Centers Cluster, Sickle Cell Treatment
Demonstration Program, Affordable Care Act (ACA) Grants for Capital
Development in Health Centers and HIV Emergency Relief Project Grants
CFDA Numbers: 14.238, 93.224/93.527, 93.365, 93.526, 93.914
Passed through: City of Chicago (14.238 & 93.914) and Aids Foundation of Chicago
(93.914)
Grant Number: Various
Grant Period: Various
Type of Finding: Significant deficiency in internal control over compliance
Compliance

Criteria:

Per OMB Circular A-133 Section 320(a), a recipient of federal expenditures in excess of \$500,000 is required to have a single audit completed and data collection form (DCF) filed with the Federal Audit Clearinghouse by the earlier date of either 30 days after receipt of the auditors' report or nine months after the end of the fiscal year-end date.

Condition:

The DCF for the year ended June 30, 2014 was not filed within the required time frame

Questioned Costs:

None

Context:

The DCF was submitted after March 31, 2015, which falls outside the required time frame.

Cause:

The June 30, 2014 accounts, reconciliations and records were not completed and available in a manner to allow for the timely filing of the DCF.

Effect:

Failure to comply with OMB requirements may lead to suspended or reduced funding for future periods.

Recommendation:

We recommend that management correct the conditions which lead to the late filing of the DCF.

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2014**

Section III - Federal Award Findings and Questioned Costs (continued)

Finding 2014-003 – Reporting (continued)

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to finding: Management understands that it is responsible for delays encountered during the June 30, 2014 audit which was not completed as of March 31, 2015. Management will closely monitor and track the reporting requirements for each federally funded grant in order to ensure the required reports are submitted within the time allotted.

Responsible party: Director of Finance

Planned completion date for corrective action plan: December 2015

Finding 2014-004 - Reporting

Federal Agency: U.S. Department of Health and Human Services
Major Program: Health Centers Cluster and Sickle Cell Treatment Demonstration Program
CFDA Numbers: 93.224/93.527, 93.365
Passed through: N/A
Grant Number: H80CS00594-12-07, 5U1EMC07656-07-00
Grant Period: March 1, 2013 - February 28, 2014, September 1, 2012 - August 31, 2013
Type of Finding: Significant deficiency in internal control over compliance
Compliance

Criteria:

An entity in receipt of federal funding is responsible for complying with reporting requirements outlined in the grant agreements it receives. For CFDA #93.224, the Center is to submit the Federal Financial Report (SF-425) within 90 days of the project period end. For CFDA # 93.365 the Center is to submit the Federal Financial Report (SF-425) no later than January 30, 2014

Condition:

The Center failed to submit required reports within the required time frames included in the grant agreement.

Questioned Costs:

None

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2014**

Section III - Federal Award Findings and Questioned Costs (continued)

Finding 2014-004 – Reporting (continued)

Context:

For CFDA #93.224 the Center's project period ended on 2/28/14 thereby requiring the SF-425 to be filed by 5/29/14. However, the SF-425 for the project period was not submitted until 2/18/15. For CFDA# 93.365 the SF-425 for the project period was not submitted until 3/24/14 which is after the 1/30/14 due date.

Cause:

Unknown

Effect:

Noncompliance with the grant contract

Recommendation:

We recommend that the Center closely monitor and track the reporting requirements for each federally funded grant in order to ensure the required reports are submitted within the time allotted.

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to finding: Management will closely monitor and track the reporting requirements for each federally funded grant in order to ensure the required reports are submitted within the time allotted.

Responsible party: Director of Finance

Planned completion date for corrective action plan: December 2015

Finding 2014-005 - Program Income

Federal Agency:	U.S. Department of Health and Human Services
Major Program:	Health Centers Cluster
CFDA Number:	93.224/93.527
Grant Number:	H80CS00594
Grant Period:	March 1, 2013 through February 29, 2014 March 1, 2014 through February 28, 2015
Type of Finding:	Material weakness in internal control over financial reporting Material weakness in internal control over compliance Compliance

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2014**

Section III - Federal Award Findings and Questioned Costs (continued)

Finding 2014-005 - Program Income (continued)

Criteria:

Health centers must have a schedule of fees or payments for the provision of their health services consistent with locally prevailing rates or charges and designed to cover their reasonable costs of operation. They are also required to have a corresponding schedule of discounts applied and adjusted based on the patient's ability to pay (42 USC 254b(k)(3)(G)(i)). Additionally, an entity in receipt of federal funding is responsible for establishing policies and procedures which provide reasonable assurance that program income is accurately calculated and timely billed for eligible participants.

Condition:

During our testing of program income, we noted that not all patient files contained the proper documentation for the applicable insurance or sliding fees scale coverage. Additionally, there were encounters included on the listing of annual encounters but showed no date of service in the billing system. Finally, it was noted that there were instances in which the program income was incorrectly calculated and not billed in a timely manner. This primarily occurred in instances where the patients were associated with managed care providers. In these instances, the Center utilizes an encounter rate for internal tracking purposes, but was not also reversing this amount out of the billing system in a timely manner.

Questioned Costs:

None

Context:

- 17 of the 60 encounters selected for testing were missing documentation associated with the patient's insurance coverage or sliding scale classification.
- 6 of 60 encounters selected for testing were included on the listing of annual encounters but showed no date of service in the billing system.
- 11 of 60 encounters selected for testing had program income incorrectly calculated or not billed and adjusted in a timely manner. Three of these encounters were managed care plans where the related charges were not adjusted out of the billing system in a timely manner.

Cause:

Unknown

Effect:

Inaccurate calculations of program income can result in the Center receiving less in program income than it is entitled to. Lack of timely billing can have a negative impact on the Center's cash flow and result in operations needing to be funded by other revenue streams. Also, not obtaining required documentation can lead to ineligible patients receiving services.

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2014**

Section III - Federal Award Findings and Questioned Costs (continued)

Finding 2014-005 - Program Income (continued)

Recommendation:

We recommend the Center implement policies and procedures whereby a periodic review is performed on a sample of encounters to ensure that the correct documentation is in the patient file. Additionally, we recommend the Center implement a process whereby all encounters are billed to the responsible party or adjusted off in a timely manner.

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to finding: Management understands that during the auditors' testing there were instances in which the program income was incorrectly calculated and not billed in a timely manner. Also, during the auditor's testing, there were instances where there was no proper supporting documentation for the services performed.

Management will reinforce its policies related to obtaining income verification documentation from all patients that are provided a sliding scale discount and other documentation necessary to determine insurance coverage. Management will implement a quality review process whereby all encounters are billed to the responsible party or adjusted off in a timely manner.

Responsible party: Director of Finance

Planned completion date for corrective action plan: December 2015

Finding 2014-006 - Supporting Documentation

Federal Agency:	U.S. Department of Health and Human Services
Major Program:	Health Centers Cluster
CFDA Numbers:	93.224/93.527
Grant Numbers:	H80CS00594
Grant Period:	March 1, 2013 through February 28, 2014 and March 1, 2014 through February 28, 2015,
Type of Finding:	Significant deficiency in internal control over compliance Compliance

Criteria:

An entity in receipt of federal funding is responsible for establishing policies and procedures which provide reasonable assurance that transactions are properly recorded, accounted for, and presented in the financial statements. Additionally, section A.1.g. of OMB Circular No. A-122 indicates that allowable costs must be "adequately documented".

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2014**

Section III - Federal Award Findings and Questioned Costs (continued)

Finding 2014-006 - Supporting Documentation (continued)

Condition:

During our review of disbursements, it was noted that the Center did not obtain/retain proper documentation for expenses charged to the above program.

Questioned Costs:

\$1,225

Context:

During our review of disbursements, 6 of 60 disbursements selected for testing, totaling \$1,225, were not supported by proper supporting documentation. Each of these transactions related to telephone charges that had been allocated to the grant.

Cause:

Unknown

Effect:

There is the potential unauthorized charges could be incurred and paid for with federal funds if appropriate controls are not adhered to.

Recommendation:

We recommend that the Center strictly enforce its policies related to the proper retention of supporting documentation for expenses.

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to finding: Management understands that during the auditor's testing, six disbursements totaling \$1,225 were not supported by proper supporting documentation. Management will review the policies and strictly enforce the policies as related to the retention of proper supporting documentation.

Responsible party: Director of Finance

Planned completion date for corrective action plan: December 2015

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2014**

Section III - Federal Award Findings and Questioned Costs (continued)

Finding 2014-007 – Coding of Expense Transactions

Federal Agency:	U.S. Department of Health and Human Services
Major Program:	HIV Emergency Relief Project Grants
CFDA Numbers:	93.914
Grant Numbers:	Various
Grant Period:	Various
Type of Finding:	Significant deficiency in internal control over compliance Compliance

Criteria:

An entity in receipt of federal funding is responsible for establishing policies and procedures which provide reasonable assurance that transactions are properly recorded, accounted for, and presented in the financial statements.

Condition:

During our review of disbursements, it was noted that there was a transaction coded to the incorrect general ledger account number.

Questioned Costs:

None

Context:

1 of the 60 disbursements selected for testing was coded to the incorrect general ledger account.

Cause:

Unknown

Effect:

Inaccurate financial reporting could adversely affect the decision making process for the management of the Center.

Recommendation:

We recommend that the Center strictly enforce its policies related to the recording of expenses to the proper account.

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2014**

Section III - Federal Award Findings and Questioned Costs (continued)

Finding 2014-007 – Coding of Expense Transactions (continued)

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to finding: Management understands that during the auditor's testing, one disbursement totaling \$1000 was charged to the incorrect general ledger account. This transaction was coded to medical supplies when it should have been recorded as telephone charges. Management will review the policies and strictly enforce the policies as related to the coding of disbursement transactions.

Responsible party: Director of Finance

Planned completion date for corrective action plan: December 2015

**CHRISTIAN COMMUNITY HEALTH CENTER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2014**

Section IV - Prior Year Findings and Questioned Costs

Finding 2013-1 - Audit Adjustments

Matter was still evident in the current year, see Finding 2014-009.

Finding 2013-2 – Financial Statement Preparation

Matter was still evident in the current year, see Finding 2014-008.

Finding 2013-3 - Check Signing Policy

Matter was still evident in the current year, see Finding 2014-010.

Finding 2013-4 - Supporting Documentation

Matter was still evident in the current year, see Finding 2014-006.

Finding 2013-5 - Allocation of Expenses Between Periods

No such Finding was identified during the year ended June 30, 2014.

Finding 2013-6 - Allocation of Payroll Costs

Matter was still evident in the current year, see Finding 2014-002.

Finding 2013-7 - Reporting

Matter was still evident in the current year, see Findings 2014-003.

Finding 2013-8 - Allocation of Grant Expenses

No such Finding was identified during the year ended June 30, 2014.

Finding 2013-9 - Special Tests and Provisions

No such Finding was identified during the year ended June 30, 2014.

Finding 2013-10 - Program Income and Eligibility

Matter was still evident in the current year, see Finding 2014-005.

Finding 2013-11 - Documentation of Authorized Salary

No such Finding was identified during the year ended June 30, 2014.

Christian Community Health Center
 2014 Fiscal Audit Findings
 Corrective Action Plan

<i>Audit Finding Condition</i>	<i>Auditor Recommendation</i>	<i>Management Response</i>	<i>Corrective Action Plan</i>
<p>Finding 2014-1 – Cash Management</p> <p>During our review of transactions recorded for grant revenue we noted; 4 of 48 transactions in which there was no documentation of approval for the drawdown or reimbursement request, 7 of 48 transactions in which there was either duplicate or incorrect recording of grant revenue, and 3 of 48 instances in which funds were requested in excess of expenses incurred or to be incurred.</p>	<p>Management should develop of robust and comprehensive grants management process. This process should include regular monitoring of grants revenue, receivables and expenses incurred. This information should be compared and reconciled to the underlying grant documents to ensure that fund are being requested at the appropriate time and properly recorded within the general ledger.</p>	<p>Management understands that there needs to be a more formal process in place whereby drawdown requests for grant funds are reviewed prior to the drawdown being initiated. Management will revise its current grants management and drawdown process to include a review and approval of potential drawdowns in advance of them being initiated with the review being performed by someone other than the person who is initiating the drawdown. Additionally, a process will be implemented whereby the revenues, expenses and receivables for each grant are reviewed on a monthly basis and compared to the applicable supporting documentation to ensure the accuracy and reliability of grant reporting.</p> <p><u>Staff Responsible:</u> Phillip Sweeney, CFO</p>	<p>Management has implemented the process whereby drawdown requests for grant funds are reviewed prior to the drawdown being initiated. Additionally, a process will be implemented whereby the revenues, expenses and receivables for each grant are reviewed on a monthly basis and compared to the applicable supporting documentation to ensure the accuracy and reliability of grant reporting.</p>
<p>Finding 2014-2 – Allocation of Payroll Costs</p> <p>The Center charges payroll costs</p>	<p>Management should develop practical employee time documentation procedures that will properly support payroll</p>	<p>Management will work to develop and implement a time study process which results in payroll expense for</p>	<p>Management will research and identify a practical employee time documentation procedure that will properly support payroll expense costs charged to the Center's</p>

Christian Community Health Center
 2014 Fiscal Audit Findings
 Corrective Action Plan

<i>Audit Finding Condition</i>	<i>Auditor Recommendation</i>	<i>Management Response</i>	<i>Corrective Action Plan</i>
to federal programs based upon budgeted amounts within grant agreements	expense costs charged to the Center's programs. Appropriate documentation should include a time allocation evidenced by employee signature and a review and approval process evidenced by management's initials.	the entire year being subject to the policies and procedures related to documenting time allocated to federal grants <u>Staff Responsible:</u> Phillip Sweeney, CFO Catalina Pinon, Human Resources Director	programs. This will be done in a manner which results in payroll expense for the entire year being subject to the new policies and procedures related to documenting time allocated to federal grants.
Finding 2014-3 – Reporting The DCF was submitted after March 31, 2015, which falls outside of the required time frame.	We recommend that management correct the conditions which lead to the late filing of the DCF.	Management understands that it is responsible for delays encountered during the June 30, 2014 audit which was not completed as of March 30, 2015. <u>Staff Responsible:</u> Phillip Sweeney, CFO	Management will closely monitor the timeline for the completion of the fiscal audit to insure compliance with required time frames.
Finding 2014-4 – Reporting The Center failed to submit required reports within the required time frames included in the grant agreement.	We recommend that the Center closely monitor and track the reporting requirements for each federally funded grant in order to ensure the required reports are submitted within the time allotted.	Management will closely monitor and track the reporting requirements for each federally funded grant in order to ensure the required reports are submitted within the time allotted. <u>Staff Responsible:</u> Phillip Sweeney, CFO	Management will closely monitor and track the reporting requirements for each federally funded grant in order to ensure the required reports are submitted within the time allotted.
Finding 2014-5 – Program	We recommend the Center	Management understands	The EPM system was set to adjust:

Christian Community Health Center
 2014 Fiscal Audit Findings
 Corrective Action Plan

<i>Audit Finding Condition</i>	<i>Auditor Recommendation</i>	<i>Management Response</i>	<i>Corrective Action Plan</i>
<p>Income</p> <p>During our testing of program income, we noted that not all patient files contained the proper documentation for the applicable insurance or sliding fees scale coverage. Additionally, there were encounters included on the listing of annual encounters but showed no date of service in the billing system. Finally, it was noted that there were instances in which the program income was incorrectly calculated and not billed in a timely manner. This primarily occurred in instances where the patients were associated with managed care providers. In these instances, the Center utilizes an encounter rate for internal tracking purposes, but was not also reversing this amount out of the billing system in a timely manner.</p>	<p>implement policies and procedures whereby a periodic review is performed on a sample of encounters to ensure that the correct documentation is in the patient file. Additionally, we recommend the Center implement a process whereby all encounters are billed to the responsible party or adjusted off in a timely manner.</p>	<p>that during the auditors' testing there were instances in which the program income was incorrectly calculated and not billed in a timely manner. Also, during the auditor's testing, there were instances where there was no proper supporting documentation for the services performed.</p> <p>Management will reinforce its policies related to obtaining income verification documentation from all patients that are provided a sliding scale discount and other documentation necessary to determine insurance coverage.</p> <p>Management will implement a quality review process whereby all encounters are billed to the responsible party or adjusted off in a timely manner.</p> <p><u>Staff Responsible:</u> Phillip Sweeney, CFO Darlene Ogbuagu, Revenue Cycle Manager Coretta Greenlaw, Business</p>	<ul style="list-style-type: none"> • Capitated Medicaid Managed Care encounters at time of charge entry according to contract • Medicaid encounter rate charges at time of charge entry according to contract • The Sliding Scale Discount was initially set-up in error; to report out in the account receivable reporting. This has since been corrected and EPM now adjusts charges at time of entry. <p>PAR/Revenue Cycle Team training was provided on the following:</p> <p>Sliding Fee Discount Program Policy</p> <ul style="list-style-type: none"> • DETERMINING ELIGIBILITY FOR SLIDING FEE DISCOUNTS • SLIDING FEE SCHEDULE WORKSHEET • ESTABLISHING AND COLLECTING NOMINAL CHARGES • PATIENTS WITH THIRD PARTY COVERAGE WHO ARE ELIGIBLE FOR SFS • RYAN WHITE vs. SLIDING FEE DISCOUNT <p>Revenue Cycle Measurements/Benchmarks for Denial Management</p>

Christian Community Health Center
 2014 Fiscal Audit Findings
 Corrective Action Plan

<i>Audit Finding Condition</i>	<i>Auditor Recommendation</i>	<i>Management Response</i>	<i>Corrective Action Plan</i>
		Operations Manager	<p>Because Denial Management/lost revenue play the largest role of the revenue cycle; training was given to the PAR/Revenue Cycle team on the following:</p> <p>Patient Access</p> <ul style="list-style-type: none"> • Referral/Pre-Registration/Scheduling • Insurance Verification/ Patient Liability Determination • Collecting co-payments and balances owed on day of appointment • Confirmation of appointments • Customer Service • Scanning supporting registration/verification documentation directly into EPM/EMR systems <p>Revenue Cycle Realization</p> <ul style="list-style-type: none"> • Registration and POS Collections/ Financial Counseling • Coding/Charge Capture review/auditing • Clinical Documentation review/auditing • Claim Editing/Submission • Account Follow-up/Payment Posting/Variance • Aging days in accounts receivables • Follow-up • Denial management trending and follow-up <ul style="list-style-type: none"> ○ Run weekly reports to ensure services are captured and billed timely ○ Open encounters ○ Kept appointment/no charge ○ Frequent auditing ○ Timely submission of patient statements

Christian Community Health Center
 2014 Fiscal Audit Findings
 Corrective Action Plan

<i>Audit Finding Condition</i>	<i>Auditor Recommendation</i>	<i>Management Response</i>	<i>Corrective Action Plan</i>
			<p>Successful Measuring Factors</p> <ul style="list-style-type: none"> ▪ Measuring to improve performance ▪ Accountability/Personal Ownership ▪ Verify insurance benefits on every patient ▪ Review demographic information with the patient prior to appointment ▪ Communication with patients to inform them of financial responsibility ▪ Collecting co-payments and balances owed on day of appointment ▪ Providers close/submit EMR documentation within 72 hours of service ▪ Obtain pre-certification and referrals when required ▪ Electronic claims submission and remittance ▪ Maintain a patient balance statement cycle ▪ Adjusting bad-debt in a timely manner
<p>Finding 2014-6 – Supporting Documentation</p> <p>During our review of disbursements, it was noted that the Center did not obtain/retain proper documentation for expenses charged to the above program.</p>	<p>We recommend that the Center strictly enforce its policies related to the proper retention of supporting documentation for expenses.</p>	<p>Management understands that during the auditor’s testing, 6 disbursements totaling \$1,225 were not supported by proper supporting documentation. Management will review the policies and strictly enforce the policies as related to the retention of proper supporting documentation.</p>	<p>Management has implemented a review to enforce the policies as related to the retention and file od supporting documentation. The monitoring mechanism will be identified and scheduled on a random basis.</p>

Christian Community Health Center
 2014 Fiscal Audit Findings
 Corrective Action Plan

<i>Audit Finding Condition</i>	<i>Auditor Recommendation</i>	<i>Management Response</i>	<i>Corrective Action Plan</i>
		<p><u>Staff Responsible:</u> Phillip Sweeney, CFO</p>	
<p>Finding 2014-7 – Coding of Expense Transactions</p> <p>During our review of disbursements, it was noted that there was a transaction coded to the incorrect general ledger account number.</p>	<p>We recommend that the Center strictly enforce its policies related to the recording of expenses to the proper account.</p>	<p>Management understands that during the auditor’s testing, 1 disbursement totaling \$1000 was charged to the incorrect general ledger account. This transaction was coded to medical supplies when it should have been recorded as telephone charges. Management will review the policies and strictly enforce the policies as related to the coding of disbursement transactions.</p> <p><u>Staff Responsible:</u> Phillip Sweeney, CFO</p>	<p>Management has implemented a review to enforce the policies as related to the coding of disbursement transactions. The monitoring mechanism will be identified and scheduled on a random basis.</p>