

CHRISTIAN COMMUNITY HEALTH CENTER
Chicago, Illinois

FINANCIAL STATEMENTS
June 30, 2012 and 2011



CliftonLarsonAllen

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Independent Auditor's Report

Board of Directors
Christian Community Health Center
Chicago, Illinois

We have audited the accompanying statements of financial position of Christian Community Health Center (the "Center") as of June 30, 2012 and 2011, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

The accompanying financial statements have been prepared assuming that the Center will continue as a going concern. As discussed in Note 16 to the financial statements, the Center's significant operating losses raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

CliftonLarsonAllen LLP

Oak Brook, Illinois
June 10, 2013

**CHRISTIAN COMMUNITY HEALTH CENTER
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011**

ASSETS	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 378,202	\$ 164,364
Patient fees receivable, less allowance for fee adjustments and discounts of \$2,478,845 in 2012 and \$2,045,752 in 2011	938,268	663,996
Grants receivable	565,110	1,028,495
Prepaid expenses and other receivables	<u>254,783</u>	<u>165,410</u>
Total current assets	<u>2,136,363</u>	<u>2,022,265</u>
 PROPERTY AND EQUIPMENT		
Land	1,160,863	1,160,863
Building and improvements	4,331,888	4,256,405
Equipment	1,377,518	1,328,151
Furniture and fixtures	182,554	160,260
Vehicles	<u>348,719</u>	<u>352,318</u>
Total, at cost	7,401,542	7,257,997
Less accumulated depreciation	<u>2,368,166</u>	<u>2,071,951</u>
Total property and equipment	<u>5,033,376</u>	<u>5,186,046</u>
 OTHER ASSETS		
Deferred bond costs, net	100,144	110,159
Security deposits	<u>116,523</u>	<u>114,586</u>
Total other assets	<u>216,667</u>	<u>224,745</u>
 TOTAL ASSETS	 <u>\$ 7,386,406</u>	 <u>\$ 7,433,056</u>

LIABILITIES AND NET ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT LIABILITIES		
Line of credit	\$ 429,990	\$ 921,990
Bank overdraft	-	204,437
Accounts payable and accrued liabilities	911,310	353,908
Accrued salaries and vacation pay	235,775	302,946
Grant funds received in advance of expenditures	240,859	51,594
Current portion of bond payable	173,667	164,447
Current portion of notes payable	<u>316,362</u>	<u>107,900</u>
Total current liabilities	<u>2,307,963</u>	<u>2,107,222</u>
LONG-TERM LIABILITIES		
Bond payable	2,195,223	2,368,887
Notes payable	<u>2,745,707</u>	<u>1,885,768</u>
Total long-term liabilities	<u>4,940,930</u>	<u>4,254,655</u>
Total liabilities	<u>7,248,893</u>	<u>6,361,877</u>
NET ASSETS (DEFICIT)		
Unrestricted	(305,044)	471,182
Temporarily restricted net assets	<u>442,557</u>	<u>599,997</u>
Total net assets	<u>137,513</u>	<u>1,071,179</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,386,406</u>	<u>\$ 7,433,056</u>

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

**CHRISTIAN COMMUNITY HEALTH CENTER
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012**

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants and awards	\$ 7,635,471	\$ 341,991	\$ 7,977,462
Patient fees (net of fee adjustments of \$8,467,203)	4,014,965	-	4,014,965
Capitation and wrap payments	1,699,220	-	1,699,220
Interest income	131	-	131
Miscellaneous	310,636	-	310,636
Contributions	48,842	-	48,842
Program fees	270,413	-	270,413
Net assets released from restrictions: Restrictions satisfied by payments - program service	499,431	(499,431)	-
Total support and revenue	14,479,109	(157,440)	14,321,669
EXPENSES			
Program services:			
Medical services	6,200,005	-	6,200,005
Housing and housing case management	4,571,232	-	4,571,232
Behavioral health services	809,653	-	809,653
Supporting services:			
Management and general	3,493,177	-	3,493,177
Fundraising	181,268	-	181,268
Total expenses	15,255,335	-	15,255,335
CHANGE IN NET ASSETS	(776,226)	(157,440)	(933,666)
NET ASSETS, BEGINNING OF YEAR	471,182	599,997	1,071,179
NET ASSETS (DEFICIT), END OF YEAR	\$ (305,044)	\$ 442,557	\$ 137,513

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

**CHRISTIAN COMMUNITY HEALTH CENTER
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011**

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants and awards	\$ 9,484,703	\$ 51,520	\$ 9,536,223
Patient fees (net of fee adjustments of \$7,842,831)	6,719,223	-	6,719,223
Capitation and wrap payments	1,690,472	-	1,690,472
Interest income	352	-	352
Miscellaneous	255,172	-	255,172
Contributions	178,436	-	178,436
Program fees	298,205	-	298,205
Net assets released from restrictions: Restrictions satisfied by payments - program service	182,893	(182,893)	-
Total support and revenue	18,809,456	(131,373)	18,678,083
EXPENSES			
Program services:			
Medical services	7,512,742	-	7,512,742
Housing and housing case management	5,285,498	-	5,285,498
Behavioral health services	2,543,561	-	2,543,561
Supporting services:			
Management and general	3,952,234	-	3,952,234
Fundraising	388,659	-	388,659
Total expenses	19,682,694	-	19,682,694
CHANGE IN NET ASSETS	(873,238)	(131,373)	(1,004,611)
NET ASSETS, BEGINNING OF YEAR	1,344,420	731,370	2,075,790
NET ASSETS, END OF YEAR	\$ 471,182	\$ 599,997	\$ 1,071,179

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

**CHRISTIAN COMMUNITY HEALTH CENTER
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (933,666)	\$ (1,004,611)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	307,903	295,992
Loss on disposal of equipment	760	2,916
Amortization of bond issue costs	10,014	10,014
Effects of changes in operating assets and liabilities:		
Patient fees receivable	(274,272)	467,223
Grants receivable	463,385	(77,671)
Prepaid expenses and other receivables	(91,309)	175,143
Accounts payable and accrued liabilities	557,402	(167,457)
Accrued salaries and vacation pay	(67,171)	(14,402)
Grant funds received in advance of expenditures	<u>189,265</u>	<u>(39,341)</u>
Net cash provided by (used in) operating activities	<u>162,311</u>	<u>(352,194)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of equipment	1,652	-
Purchases of property and equipment	<u>(157,645)</u>	<u>(319,939)</u>
Net cash used in investing activities	<u>(155,993)</u>	<u>(319,939)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in bank overdraft	(204,437)	204,437
Net borrowings on line of credit	410,000	270,000
Net proceeds from notes payable	166,401	149,655
Payments on bond payable	<u>(164,444)</u>	<u>(156,371)</u>
Net cash provided by financing activities	<u>207,520</u>	<u>467,721</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 213,838	 (204,412)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>164,364</u>	 <u>368,776</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 378,202</u>	 <u>\$ 164,364</u>

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

**CHRISTIAN COMMUNITY HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2012**

	<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	\$ 3,831,967	\$ 2,000,804	\$ 508,613	\$ 1,649,270	\$ 148,780	\$ 8,139,434
Payroll taxes	286,774	146,879	42,278	146,711	10,480	633,122
Employee benefits	299,931	204,526	53,236	254,062	18,902	830,657
Total salaries and related expenses	4,418,672	2,352,209	604,127	2,050,043	178,162	9,603,213
Independent contractors	201,359	-	42,597	-	-	243,956
Insurance	22,727	14,771	297	164,089	-	201,884
Patient supplies and fees	90,583	19,737	18,141	-	-	128,461
Patient labs and pharmaceutical costs	674,725	-	-	-	-	674,725
Housing program furniture and maintenance	-	2,046	-	-	-	2,046
Seminars and meetings	2,105	435	-	4,632	-	7,172
Occupancy - housing program	-	1,866,682	-	-	-	1,866,682
Office rent expense	59,760	86,297	25,650	12,511	-	184,218
Utilities	77,420	56,563	16,219	14,988	-	165,190
Building maintenance and services	27,361	5,150	5,336	26,755	-	64,602
Equipment and automobile maintenance and repairs	18,917	6,730	-	29,294	-	54,941
Depreciation and amortization	151,310	28,967	1,050	136,591	-	317,918
Telephone and communication	193,259	55,102	12,708	46,833	-	307,902
Professional fees	164,873	4,140	31,101	583,016	-	783,130
Office equipment and furniture	29	-	267	415	-	711
Office supplies, postage, and printing	67,737	24,066	5,629	80,409	2,171	180,012
General office expense	25,795	1,207	514	5,608	461	33,585
Advertising and promotion	1,123	-	168	615	124	2,030
Client assistance costs	1,032	30,123	26,758	4,250	-	62,163
Contributions	-	-	-	5,030	-	5,030
Interest expense	10	16,510	5	303,670	-	320,195
Miscellaneous expense	1,208	497	19,086	24,428	350	45,569
TOTAL EXPENSES	\$ 6,200,005	\$ 4,571,232	\$ 809,653	\$ 3,493,177	\$ 181,268	\$ 15,255,335

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

**CHRISTIAN COMMUNITY HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2011**

	<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	\$ 4,844,408	\$ 2,304,034	\$ 1,192,853	\$ 2,304,449	\$ 264,724	\$ 10,910,468
Payroll taxes	446,677	225,633	120,497	227,476	25,255	1,045,538
Employee benefits	283,356	377,851	119,480	24,641	50,610	855,938
	<u>5,574,441</u>	<u>2,907,518</u>	<u>1,432,830</u>	<u>2,556,566</u>	<u>340,589</u>	<u>12,811,944</u>
Total salaries and related expenses						
Independent contractors	177,118	863	12,426	-	-	190,407
Insurance	17,731	7,369	415	165,599	5,247	196,361
Patient supplies and fees	169,833	21,101	84,288	3,668	71	278,961
Patient labs and pharmaceutical costs	542,051	-	-	-	-	542,051
Seminars and meetings	5,872	280	-	6,777	100	13,029
Occupancy - housing program	-	1,987,784	-	800	-	1,988,584
Office rent expense	80,266	57,567	91,216	-	-	229,049
Utilities	84,881	62,792	35,847	25,496	238	209,254
Building maintenance and services	93,344	37,072	15,971	77,291	842	224,520
Equipment and automobile maintenance and repairs	30,745	4,521	1,326	50,144	-	86,736
Depreciation and amortization	153,586	28,940	1,911	121,569	-	306,006
Telephone and communication	134,430	57,318	18,606	64,661	1,477	276,492
Professional fees	281,954	17,413	471,910	295,007	-	1,066,284
Office equipment and furniture	3,382	2,835	1,476	6,856	-	14,549
Office supplies, postage, and printing	96,300	42,341	22,751	159,688	7,384	328,464
General office expense	22,958	469	4,232	48,369	26,057	102,085
Advertising and promotion	1,355	-	172,261	1,770	375	175,761
Client assistance costs	925	41,267	159,044	4,694	-	205,930
Contributions	-	100	-	1,879	-	1,979
Interest expense	28	1,684	-	292,456	-	294,168
Miscellaneous expense	41,542	6,264	17,051	68,944	6,279	140,080
	<u>7,512,742</u>	<u>5,285,498</u>	<u>2,543,561</u>	<u>3,952,234</u>	<u>388,659</u>	<u>19,682,694</u>
TOTAL EXPENSES	<u>\$ 7,512,742</u>	<u>\$ 5,285,498</u>	<u>\$ 2,543,561</u>	<u>\$ 3,952,234</u>	<u>\$ 388,659</u>	<u>\$ 19,682,694</u>

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

CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Christian Community Health Center (the "Center") is a not-for-profit 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 generally accepted accounting principles (GAAP) 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.

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.

Financial Statement Presentation

Financial statement presentation follows GAAP for not-for-profit 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.

CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Equivalents

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

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.

Contributions of donated services that create or enhance non-financial assets, or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation, are recorded at their fair values in the period received.

Patient Fees Receivable

Patient fees receivable are uncollateralized patient obligations which generally require payment within 30 days from the invoice date. Patient fees receivable are stated at the invoice amount.

Payments of patient fees receivable are applied to the specific invoices (dates of service) identified on the customer's remittance advice or, if unspecified, to the earliest unpaid invoices.

The carrying amount of patient fees receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Management reviews patient fees receivable balances outstanding five months or more and estimates the portion, if any, of the balance that will not be collected. All accounts or portions, thereof, deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts.

Promises to Give

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.

CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$110,204 and \$104,810 at June 30, 2012 and 2011, respectively.

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

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.

Bond Closing Costs

Amortization of bond closing costs is computed on a straight-line basis over the term of the related bond issue. The Center began to amortize these costs during the fiscal year ended June 30, 2008. At June 30, 2012 and 2011, the accumulated amortization on the bond closing costs was \$50,073 and \$40,058, respectively.

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.

**CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2012 and 2011.

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

The federal and state tax returns of the Center for 2008, 2009, and 2010 are subject to examination by the Internal Revenue Service and state taxing authorities, generally for three years after they were filed.

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.

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.

**CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011**

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

Behavioral Health Services

The Center operates 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.

NOTE 3 - GRANTS RECEIVABLE

Grants receivable consist of the following:

	<u>2012</u>	<u>2011</u>
AIDS Foundation of Chicago	\$ 84,003	\$ 100,945
Center for Disease Control	12,845	7,967
Chicago Department of Family and Support Services	5,494	9,318
Chicago Department of Human Services	71,108	103,777
Chicago Department of Public Health	235,881	299,793
Department of Health and Human Services	44,107	370,160
Department of Housing and Urban Development	5,744	6,723
Heartland Human Care Services	4,485	31,991
Illinois Department of Public Health	81,158	89,981
Midwest AIDS Training & Education Center	7,840	7,840
Other	<u>12,445</u>	<u>-</u>
Total grants receivable	<u>\$ 565,110</u>	<u>\$ 1,028,495</u>

All amounts listed above are due within one year.

**CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011**

NOTE 3 - GRANTS RECEIVABLE (continued)

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 may receive up to \$3,000,000 for the expansion and renovation of the Center's Halsted clinic. Payment of the grant is 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, 2012, the Center has only satisfied the first milestone resulting in a payment of \$300,000. As of June 30, 2012, the remaining conditional grant totaled \$2,700,000.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Net assets restricted for purpose:		
Macy's - Amani House	\$ 2,970	\$ -
Blowitz Ridgeway - medical services	-	15,000
MATEC	7,840	-
Salem - HIV	2,500	-
Chicago Community Trust - domestic violence and medical services	-	3,459
Northern Trust	5,610	-
Northwestern Memorial Foundation	6,487	-
George Eisenberg Foundation - medical services	2,660	-
Hendrickson Foundation - mobile health van	-	3,378
Illinois Attorney General - OBGYN	29,647	480,033
Illinois Capital Development Board - Halsted expansion	300,000	-
Illinois Children's Healthcare Foundation - Children's Dental Initiative	-	5,353
Illinois Department of Public Health - expansion of services at Calumet City and Dolton Health Center	1,706	1,706
Lloyd A. Fry Foundation - dental clinic operations	7,047	7,047
Owens Foundation - footprints	14,964	1,040
Polk Bros. - partial salary for clinical social worker - Shelter Plus program	34,470	37,428
Prince Charitable Foundation - Amani House	25,000	43,897
White Foundation - medical services	<u>1,656</u>	<u>1,656</u>
Total temporarily restricted net assets	<u>\$ 442,557</u>	<u>\$ 599,997</u>

CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 5 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by satisfying the restricted purposes specified by donors as follows:

	<u>2012</u>	<u>2011</u>
Purpose restriction accomplished:		
Bank of America - mobile health van	\$ -	\$ 9,381
Blowitz Ridgeway - medical services	15,000	11,383
Carol Fitzgerald Memorial Trust - HIV	-	4,683
Chicago Community Trust - Amani House	3,459	15,473
Chicago Community Trust - domestic violence and medical services	-	12,295
George Eisenberg Foundation - medical services	-	5,000
Hendrickson Foundation - mobile health van	3,378	14,972
Illinois Attorney General - OBGYN	450,386	94,967
Illinois Children's Healthcare Foundation - Children's' Dental Initiative	5,353	-
Lloyd A. Fry Foundation - dental clinic operations	-	14,739
Polk Bros. - Shelter plus	2,958	-
Prince Charitable Foundation - Amani House	<u>18,897</u>	<u>-</u>
Total net assets released from restrictions	<u>\$ 499,431</u>	<u>\$ 182,893</u>

NOTE 6 - LINE OF CREDIT

During the year ended June 30, 2012, the Center amended its line of credit agreement with a bank whereby the maximum borrowings permitted were reduced from \$1,400,000 to \$430,000. As part of this amendment, \$902,000 of the balance outstanding on the line of credit was converted to a term loan. See Note 8. As of June 30, 2012 and 2011, \$429,990 and \$921,990, respectively, was outstanding on the line of credit. The amended line of credit agreement included a maturity date of July 1, 2012, which was subsequently extended to August 1, 2013. Interest payments are due monthly at the rate of 5% at June 30, 2012 and 2011. The line of credit is secured by all assets and personal property of the Center and includes certain financial covenants, all of which have been met or waived for the year ended June 30, 2012. See Note 17 for additional information.

**CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011**

NOTE 7 - 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 requires monthly principal and interest payments of \$25,516. The bond bears 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. Subsequent interest periods shall end on November 30, 2017 and November 30, 2022. Payments commenced on January 1, 2008, with final payment due on December 1, 2022. The bond is secured by various mortgages, security agreements, and the assignment of rents and leases relating to property owned by the Center. As of June 30, 2012 and 2011 there was \$2,368,890 and \$2,533,334 outstanding on the bond payable. See Note 17 for additional information.

Scheduled annual principal maturities of the bond are as follows:

Years Ending June 30,

2013	\$ 173,667
2014	183,029
2015	192,895
2016	203,148
2017	214,239
Thereafter	<u>1,401,912</u>
Total	<u>\$ 2,368,890</u>

NOTE 8 - NOTES PAYABLE

The Center has a note payable to a bank with an initial balance of \$960,000. The outstanding balance on the note was \$315,339 and \$341,044 at June 30, 2012 and 2011, respectively. The note is evidenced by a promissory note bearing interest at a rate of 7.15%. Monthly principal and interest payments are due in the amount of \$4,138 and the note matures on December 1, 2012. Effective October 15, 2012, the maturity date was extended to February 1, 2013 and the required monthly payments were reduced to \$3,126. Effective February 1, 2013, the maturity date was extended to August 2, 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 are pledged as collateral for the note. See Note 17 for additional information.

CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 8 - NOTES PAYABLE (continued)

On May 1, 2012, as part of the amendment to the line of credit agreement referenced in Note 6, the Center converted a portion of the outstanding balance on the line of credit to a note payable with a bank with an initial balance of \$902,000. The outstanding balance on the note was \$887,000 at June 30, 2012. The note is evidenced by a promissory note bearing interest at a rate of 6%. Monthly principal and interest payments are 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%. Effective February 1, 2013, the note's maturity date was extended to August 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 are pledged as collateral for the note. See Note 17 for additional information.

On July 21, 2009, the Center executed a note payable with a bank for an initial balance of \$1,500,000. The outstanding balance on the note was \$1,343,966 and \$1,413,458 at June 30, 2012 and 2011, respectively. The mortgage 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 bank for an initial balance of \$240,000. The outstanding balance on the note was \$228,833 and \$239,166 at June 30, 2012 and 2011, 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. See Note 16 for additional information.

The Center has entered into an extended repayment plan with its Medicare contractor to repay \$286,931 owed from a final cost report determination. 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.

Future minimum principal payments on the notes are as follows:

**CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011**

NOTE 8 - NOTES PAYABLE (continued)

Years Ending June 30,

2013	\$ 316,362
2014	1,113,078
2015	146,027
2016	157,656
2017	170,314
Thereafter	<u>1,158,632</u>
Total	<u>\$ 3,062,069</u>

NOTE 9 - 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.

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. Reimbursement rates are based on the Center's annual cost report and Medicare Economics Index (MEI). These amounts approximated \$500,000 and \$1,500,000 for the years ended June 30, 2012 and 2011, respectively.

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. These amounts approximated \$1,830,000 and \$3,680,000 for the years ended June 30, 2012 and 2011, respectively. Medicaid reimbursement may be subject to periodic adjustment, as well as to changes in annual reimbursement rates. Reimbursement rates are based on MEI and annual cost reports.

CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 9 - CONTRACTUAL ARRANGEMENTS WITH THIRD PARTY PAYERS AND PROVISIONS FOR COMMUNITY SERVICE (continued)

Managed Care/Private Insurance Organizations

The Center also participates as a provider of healthcare 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. These amounts approximated \$2,140,000 and \$1,528,000 for the years ended June 30, 2012 and 2011, respectively.

NOTE 10 - LEASES

The Center leases approximately 280 apartments under operating leases for its housing program expiring on various dates through June 30, 2013. Total future minimum lease payments under these leases are \$952,810. 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, 2012 and 2011 totaled \$1,866,682 and \$1,988,584, respectively.

The Center leases two facilities under operating leases for use in its program services delivery. The leases expire on various dates through December 31, 2015. These leases require monthly lease payments ranging from \$4,000 to \$7,400, plus the Center's proportionate share of operating expenses, taxes, and insurance. For the years ended June 30, 2012 and 2011, facility lease expense totaled \$184,218 and \$229,049, respectively, excluding operating costs.

Future lease commitments for the office space are as follows, as of June 30, 2012:

Years Ending June 30,

2013	\$ 96,707
2014	53,876
2015	55,493
2016	<u>28,156</u>
Total	<u>\$ 234,232</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 totaled \$169,206 and \$132,230 for the years ended June 30, 2012 and 2011, respectively.

CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 12 - CASH FLOW DISCLOSURES

Cash paid for interest was \$318,628 and \$293,238 during the years ended June 30, 2012 and 2011, respectively.

During the year ended June 30, 2012, the Center had the following non-cash investing and financing activities:

As explained in Note 6 and Note 8, the Center converted \$902,000 of the outstanding balance on the line of credit to a note payable.

During the year ended June 30, 2011, the Center had no non-cash investing and financing activities

NOTE 13 - GRANTS AND AWARDS

The Center has received financial assistance, in the form of grants and awards, which require periodic audits. Certain costs may be questioned, as a result of these audits, as not being appropriate expenditures under the assistance agreements. Such audits may require the refund of monies to the grantor. Management believes any such refunds would be immaterial if they occurred. No provision for refunds has been accrued in the financial statements.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

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 (CPT) 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.

NOTE 15 - SIGNIFICANT ESTIMATES AND CONCENTRATIONS

GAAP requires disclosure of information about certain significant estimates and current vulnerabilities due to certain concentrations. These matters include the following:

CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 15 - SIGNIFICANT ESTIMATES AND CONCENTRATIONS (continued)

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, 2012 and 2011, the allowance for billing discounts and fee adjustments was estimated at \$2,408,982 and \$2,045,752, respectively.

Grantors

Approximately 58% of total grants and awards revenue for the year ended June 30, 2012, was provided by two grantors. Approximately 19% of the June 30, 2012 grants receivable balance was due from these two grantors.

NOTE 16 - GOING CONCERN CONSIDERATIONS

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, 2012, the Center's current liabilities were \$2,307,963 and current assets were \$2,136,363. In addition, the Center sustained a substantial decrease in net assets of \$933,666 during the year ended June 30, 2012 and \$1,004,611 during the year ended June 30, 2011. Furthermore, the terms of the Center's loan and security agreement require, among other things, compliance with certain ratios on an annual basis, including tangible net worth. As a result of the substantial decrease in net assets which began during the year ended June 30, 2011, the Center was not in compliance with these ratios as of June 30, 2012. Although no acceleration of outstanding debt was requested and a waiver of the aforementioned covenants was received from the lender, the Center would not have sufficient funds to pay all outstanding debt if lenders issued a notice of default. Based on these factors, there is an uncertainty about the Center's ability to continue as a going concern.

Under new management since August 2011, the Board of Directors has approved a business recovery plan. This plan calls for generating new sources of unrestricted revenues, including both net patient fee revenue and grants, significantly reducing operating costs and refinancing outstanding debt. See Note 17 for additional information about the financing of outstanding debt. The ability of the Center to continue as a going concern is dependent upon the success of these efforts. The financial statements do not include any adjustments that might be necessary if the Center is unable to continue as a going concern.

CHRISTIAN COMMUNITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 17 - SUBSEQUENT EVENTS

Management evaluated subsequent events through June 10, 2013, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2012, but prior to June 10, 2013 that provided additional evidence about conditions that existed at June 30, 2012, have been recognized in the financial statements for the year ended June 30, 2012. Events or transactions that provided evidence about conditions that did not exist at June 30, 2012, 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, 2012. Management has determined the following subsequent events required disclosure:

The Center is in the process of refinancing its line of credit described in Note 6. Under the proposed terms of the new agreement, the Center would have a \$700,000 revolving line of credit with a variable interest rate based on the three-month London Interbank Offered Rate plus 4.72%, reset monthly, with a 5% floor. The line would mature in May 2014 and require monthly payments of interest only and all unpaid principal and interest due at maturity.

The Center is in the process of finalizing an agreement with a lender to provide a \$200,000 working capital term loan. Under the terms of the agreement, the Center would be required to make monthly principal and interest payments of \$2,161. The term loan would bear interest at a fixed rate of 5.5% and mature in May 2016.

The Center is in the process of finalizing an agreement with a lender to refinance the bond payable described in Note 7. Under the proposed terms of the agreement, the Center would be provided with a \$2,200,000 commercial mortgage loan at a fixed rate of 5.3%. The mortgage would require monthly principal and interest payments of \$23,381 and mature in May 2023.

The Center is in the process of finalizing an agreement with a lender to refinance the outstanding balance on the \$960,000 and \$240,000 notes payable described in Note 8. Under the proposed terms of the agreement, the Center would be provided with a \$975,000 note payable at a fixed rate of 5.25%. The note would require monthly principal and interest payments of approximately \$7,838 and matures in May 2028.

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

CHRISTIAN COMMUNITY HEALTH CENTER
Chicago, Illinois

SINGLE AUDIT REPORTS
June 30, 2012



CliftonLarsonAllen

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

Board of Directors
Christian Community Health Center
Lansing, Illinois

We have audited the financial statements of Christian Community Health Center (the “Center”) as of and for the year ended June 30, 2012, and have issued our report thereon dated June 10, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 2012-1 and -4 to be material weaknesses in internal control over financial reporting.

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. We consider the deficiencies described in the accompanying Schedule of Findings, Responses, and Questioned Costs as Findings 2012-2, -3, and -7 to be significant deficiencies.

Compliance and other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2012-4 and -6.

The Center's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Responses, and Questioned Costs. We did not audit the Center's responses and, accordingly, we express no opinion on them.

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

CliftonLarsonAllen LLP

Oak Brook, Illinois
June 10, 2013



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

Board of Directors
Christian Community Health Center
Lansing, Illinois

Compliance

We have audited the compliance of Christian Community Health Center (the "Center") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

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

In our opinion, the Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, 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 2012-2, -3, -4, -5, -6, -7, -8, -9, and -10.

Internal Control over Compliance

The management of the Center is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 entity'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 the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be 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 2012-4 and-6 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 the attention of 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 2012-2, -3, -5, -7, -8, 9, and -10 to be significant deficiencies.

The Center's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Responses, and Questioned Costs. We did not audit the Center's responses and, accordingly, we express no opinion on them.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Center as of and for the year ended June 30, 2012, and have issued our report thereon dated June 10, 2013. Our audit was performed for the purpose of forming an opinion on the financial statements of the Center taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

CliftonLarsonAllen LLP

Oak Brook, Illinois
June 10, 2013

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012**

<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 PO # 23578	\$ 10,190 37,694
Passed-through City of Chicago Department of Human Services:			
Domestic Violence Prevention	14.218	PO # 23139 PO # 25503	22,279 17,892
Domestic Violence Counseling	14.218	PO # 23139 PO # 25503	29,202 <u>21,373</u>
			<u>138,630</u>
Homeless Services-Westside	14.231	PO # 18836 PO # 18836	39,388 <u>37,676</u>
			<u>77,064</u>
Passed-through AIDS Foundation of Chicago:			
SHP Merger	14.235	Unavailable	235,385
Low-Income Housing Trust Fund	14.235	N/A	<u>165,627</u>
			<u>401,012</u> *
Passed-through City of Chicago Department of Human Services:			
Shelter Plus Care	14.238	PO # 14653 PO # 24425-1	8,108 <u>90,883</u>
			98,991
Passed-through Heartland Human Care Services:			
Shelter Plus Care	14.238	Unavailable	28,553
Passed-through AIDS Foundation of Chicago:			
CHHP SPNS	14.238	Unavailable	44,648
EnHarmony Bonus Project	14.238	N/A	<u>2,014,145</u>
			<u>2,186,337</u> *

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012**

<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 AIDS Foundation of Chicago:			
Housing Opportunities for Persons with AIDS	14.241	Unavailable	254,750
RHHP Re-entry	14.241	Unavailable	<u>72,471</u>
			327,221
Passed-through City of Chicago Department of Public Health:			
Housing Opportunities for Persons with AIDS	14.241	21134	<u>81,343</u>
			<u>408,564</u> *
Total U.S. Department of Housing and Urban Development			<u>3,211,607</u>
U.S. Department of Health and Human Services			
Section 330 Consolidated Health Centers	93.224	N/A	<u>1,343,700</u> *
HRSA Sickle Cell	93.365	N/A	<u>357,182</u>
Passed-through City of Chicago Department of Family and Support Services:			
Footprints and Amani House	93.569	PO # 18836	<u>434,342</u> *
ARRA - Increase Services to Health Centers	93.703	N/A	<u>88,995</u>
Passed-through City of Chicago Department of Public Health:			
Title 1 Part A Mental Health	93.914	PO # 23788	42,629
Title 1 Part A Mental Health		PO # 23788	34,568
Part A Ryan White Oral Health		PO # 17188	54,854
Part A Ryan White Oral Health		PO # 23788	31,437
Part A Substance Abuse		PO # 17188	52,530
Part A Substance Abuse		PO # 23788	15,399
MAI Psychosocial		PO # 23807	38,350
Title 1 Primary Care		PO # 23788	<u>430,696</u>
			700,463

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012**

<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>12,562</u>
			<u>713,025</u> *
Passed-through AIDS Foundation of Chicago:			
ORS Case Management	93.917	Unavailable	168,962
Treatment Adherence/Part B	93.917	Unavailable	<u>129,268</u>
			<u>298,230</u>
Ryan White Title III Early Intervention Services with Respect to HIV Disease Part C	93.918	N/A	<u>420,301</u> *
Human Immunodeficiency Virus (HIV) Prevention CDC 04064	93.939	N/A	<u>254,800</u>
Passed-through City of Chicago Department of Human Services:			
HIV PCRS	93.940	PO # 15659	<u>29,571</u>
Total U.S. Department of Health and Human Services			<u>3,940,146</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 7,151,753</u>

* This program was tested as a major program for the fiscal year ended June 30, 2012.

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, 2012**

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

The Center provides federal awards to subrecipients as follows:

	<u>CFDA Number</u>	<u>Amount Provided</u>
HRSA Sickle Cell Sickle Cell Disease Association of Illinois	93.365	\$ <u>97,916</u>

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, 2012**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified 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? X yes none reported
- Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

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

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

Unqualified opinion

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>14.235</u>	<u>Supporting Housing</u>
<u>14.238</u>	<u>Shelter Plus Care</u>
<u>14.241</u>	<u>Housing Opportunities for Persons with AIDS</u>
<u>93.224</u>	<u>Consolidated Health Centers</u>
<u>93.569</u>	<u>Community Services Block Grant</u>
<u>93.914</u>	<u>HIV Emergency Relief Project Grants</u>
<u>93.918</u>	<u>Early Intervention Services with Respect to HIV Disease</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, 2012**

Section II - Financial Statement Findings

Finding 2012-1 - Audit Adjustment and Financial Statement Preparation

Criteria:

Policies and procedures should be in place to provide management with reasonable assurance that interim and year-end reporting of financial information is accurate and in accordance with generally accepted accounting principles.

Condition:

A material adjustment was made as a result of the financial statement audit for the year ended June 30, 2012. Additionally, a material restricted net asset was omitted from the initial schedule of temporarily restricted net assets prepared by management.

Questioned Costs:

None.

Context:

An adjustment of approximately \$650,000 was made to increase the allowance for uncollectible accounts. Additionally, a temporarily restricted grant in the amount of \$300,000 was initially omitted from the schedule of net assets prepared by management.

Effect:

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

Cause:

The receivable and restricted net asset balances at June 30, 2012 were not thoroughly analyzed to determine any necessary adjustments or reclassifications prior to the audit commencing.

Recommendation:

We recommend that management develop a formal process whereby the allowance for uncollectible accounts is thoroughly analyzed and reviewed on a regular basis in order to ensure it adequately covers potential uncollectible balances. Additionally, as grants are received they should be evaluated for restricted purposes and separately tracked as restrictions are satisfied.

Management's Response:

Management has established a written process to separately track the uncollectibility of accounts receivable based upon the aging of the Center's accounts receivable buckets. The report is monitored and analyzed on a monthly basis with the senior management.

All grants that are received will be evaluated by management for restrictions and will be tracked separately on a quarterly basis to see if the restrictions are satisfied.

Management will implement a temporarily restricted net asset roll-forward schedule on a quarterly basis which will compare the expenses incurred to the contributions received. This schedule will be distributed to the Board Finance Committee as a standing quarterly report.

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2012**

Finding 2012-2 - See Section III, Federal Award Findings

Finding 2012-3 - See Section III, Federal Award Findings

Finding 2012-4 - See Section III, Federal Award Findings

Finding 2012-6 - See Section III, Federal Award Findings

Finding 2012-7 - See Section III, Federal Award Findings

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2012**

Section III - Federal Award Findings and Questioned Costs

Finding 2012-2 - Supporting Documentation

Major Program: Early Intervention Services with Respect to HIV Disease
Community Services Block Grants
CFDA Number: 93.918 & 93.569
Federal Agency: Department of Health and Human Services
Pass-through: City of Chicago (93.569)
Grant Number: H76HA00685, PO # 18836
Grant Period: Various

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 the Center did not obtain/retain proper documentation for an expense charged to each program.

Questioned Costs:

\$535.

Context:

During our review of disbursements, two of 120 disbursements selected for testing, totaling \$535, were not supported by proper supporting documentation.

Effect:

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

Cause:

Although the Center has policies and procedures which require the submission of supporting documentation, they were not adhered to for these particular transactions.

Recommendation:

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

Management's Response:

Per audit, two of 120 sampled by the auditor was deemed to be missing proper supporting documentation. The Center will continue to strictly enforce its policies and procedures as it relates to support documentation for all financial transactions. In addition, management will conduct a quarterly sample review of financial transactions to ensure that there is appropriate supporting documentation for all transactions.

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2012**

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

Finding 2012-3 - Allocation of Expenses Between Periods

Major Program: Community Services Block Grant
CFDA Number: 93.914
Federal Agency: Department of Health and Human Services
Pass-through: City of Chicago - Department of Public Health
Grant Number: PO # 23788
Grant Period: July 1, 2011 through June 30, 2012
March 1, 2011 through February 28, 2014

Criteria:

An entity in receipt of federal funding is responsible for establishing policies and procedures which provide reasonable assurance that transactions are recorded in the proper period.

Condition:

During our review of disbursements, it was noted that a portion of one transaction was recorded in a period other than when it occurred. However, the cost was still recorded within an allowable grant period; therefore, it did not result in a questioned cost.

Questioned Costs:

None.

Context:

One of 60 disbursements selected for testing included expenses which spanned between two different fiscal years. The Center has recorded the total disbursement of \$2,125 during the fiscal year ended June 30, 2012, although a portion related to services provided during the fiscal year ended June 30, 2011.

Effect:

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

Cause:

The transaction was inadvertently missed when recording accruals for the fiscal year ended June 30, 2011.

Recommendation:

We recommend that management closely review transactions occurring near the end of the fiscal year in order to ensure they are captured in the correct period.

Management's Response:

Management has implemented a new procedure as part of year-end closing; whereby all transactions related to the prior fiscal year will be closely reviewed and posted by the Finance Manager and Controller. In addition, quarterly sample reviews will be conducted of the finance department to monitor recording accruals.

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2012**

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

Finding 2012-4 - Allocation of Payroll Costs

Major Program: All
CFDA Number: 14.235, 14.238, 14.241, 93.224, 93.569, 93.914, 93.918
Federal Agency: Department of Housing and Urban Development
Department of Health and Human Services
Grant Number: Various
Grant Period: Various

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 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:

Undeterminable.

Context:

This condition affects all federal programs operated by the Center.

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.

Cause:

Procedures for employee submitted time records that would be subject to management review and approval have not yet been fully implemented. The Center first implemented the use of a time study during June 2012.

Recommendation:

Management should take the time study developed during fiscal year ended June 30, 2012 and implement it throughout the fiscal year ending June 30, 2013. This should 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.

Management's Response:

The Center has implemented a practical and full functioning employee time documentation process during fiscal year 2012. Time studies of employees are conducted for 10 days on a quarterly basis. All employees are required to participate.

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2012**

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

Finding 2012-5 - Special Tests and Provisions

Major Program: Community Services Block Grant
CFDA Number: 93.569
Federal Agency: Department of Health and Human Services
Pass-through: City of Chicago - Department of Family and Support Services
Grant Number: PO # 18836
Grant Period: January 1, 2011 through December 31, 2011
January 1, 2012 through December 31, 2012

Criteria:

Included within the terms and conditions of the notice of grant award, is the requirement to establish and maintain a process for protecting client confidentiality throughout the project period.

Condition:

The Center did not have a signed confidentiality statement on file for an employee working on the grant.

Questioned Costs:

None.

Context:

For one of the 52 personnel files reviewed, the Center did not have a signed confidentiality statement included in the employee's personnel file.

Effect:

Noncompliance with the grant contract. Additionally, an employee may not be aware of the policies and procedures that are to be followed in regards to confidential information.

Cause:

Unknown.

Recommendation:

We recommend that the Center perform periodic reviews of employee personnel files in order to ensure they contain the required documentation based upon the terms of the grant agreements.

Management's Response:

Management has implemented a plan where human resources will have periodic compliance reviews performed by the quality assurance and compliance team.

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2012**

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

Finding 2012-6 - Reporting

Major Program: All
CFDA Number: 14.235, 14.238, 14.241, 93.224, 93.569, 93.914, 93.918
Federal Agency: Department of Housing and Urban Development
Department of Health and Human Services
Grant Number: Various
Grant Period: Various

Criteria:

An entity in receipt of federal funding is responsible for complying with reporting requirements outlined in the grant agreements it receives.

Condition:

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

Questioned Costs:

None.

Context:

CFDA Number 93.918:

- The Center was to submit a Federal Financial Report (FFR) within 90 days after the budget period end date of August 31, 2011. The FFR for Grant Number P06HA20626 was submitted on December 19, 2011, which is 19 days late.

CFDA Number 14.238

- The Center did not submit the Annual Progress Report (APR) within 90 days after the budget period end date of August 31, 2011. The APR for Grant Number IL0390B5T100901 was submitted on March 20, 2012, which is 110 days late.

CFDA Numbers 14.235, 14.238, 14.241, 93.224, 93.569, 93.914, and 93.918:

- The Center did not submit audited financial statements and OMB Circular A-133 reports for the fiscal year ended June 30, 2012 by the required deadline of December 31, 2012.

Effect:

Noncompliance with the grant contract.

Cause:

Unknown.

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2012**

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

Finding 2012-6 - Reporting (continued)

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.

Management's Response:

Management will closely track compliance with federal grant reporting requirements via a reporting schedule in order to be compliant. Additionally, our financial close process has been streamlined to ensure more timely closing of period end dates. This enables our fiscal year-end audit to commence sooner, thereby avoiding violations for delayed filings of year-end statements.

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2012**

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

Finding 2012-7 - Allocation of Grant Expenses

Major Program: Housing Opportunities for Persons with AIDS
CFDA Number: 14.241
Federal Agency: Department of Housing and Urban Development
Pass-through: AIDS Foundation of Chicago
Grant Number: N/A
Grant Period: February 1, 2012 through January 31, 2013

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 two transactions were recorded to the incorrect grant.

Questioned Costs:
\$1,200.

Context:

Two of the 30 disbursements selected for testing were charged to the incorrect grant.

Effect:

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

Cause:

Although the Center has policies and procedures which require the review of expenses, they were not adhered to for this particular transaction.

Recommendation:

We recommend that the Center continue to enforce and monitor controls in place related to the review of expense coding prior to checks being issued.

Management's Response:

Management has implemented a new procedure as part of month-end closing; whereby all transactions related to the grant will be reviewed and approved by the finance manager.

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2012**

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

Finding 2012-8 - Special Tests and Provisions

Major Program: Community Services Block Grant
CFDA Number: 93.569
Federal Agency: Department of Health and Human Services
Pass-through: City of Chicago - Department of Family and Support Services
Grant Number: PO # 18836
Grant Period: January 1, 2011 through December 31, 2011
January 1, 2012 through December 31, 2012

Criteria:

The Center is required to perform the Housing Options Screening Tool on all participants within one week of program entry.

Condition:

Housing Options Screening Tool was not always completed within one week of program entry.

Questioned Costs:

None.

Context:

Of the 24 files selected for testing, one had the Housing Options Screening Tool performed more than one week after program entry and one did not have a Housing Options Screening Tool completed.

Effect:

Noncompliance with the grant contract.

Cause:

Unknown.

Recommendation:

We recommend the Center reinforce to program employees the importance of completing program tasks in a timely manner. The Center should also implement a process to review participant files to ensure data has been captured timely.

Management's Response:

As part of our quality assurance and improvement programs, the Center engages in a coordinated quarterly record review process, monthly supervision covering program eligibility, and recordkeeping. The Center conducted training with staff on required documentation for participant's file. The supervisor routinely reviews charts to verify that all required documentation is in participants' files and includes a review of participants' files in monthly staff supervisions meetings.

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2012**

Finding 2012-9 - Eligibility

Major Program: Housing Opportunities for Persons with AIDS
CFDA Number: 14.241
Federal Agency: Department of Housing and Urban Development
Pass-through: City of Chicago and AIDS Foundation of Chicago
Grant Number: Various
Grant Period: Various

Criteria:

An entity in receipt of federal funding is responsible for establishing policies and procedures which provide reasonable assurance that eligible persons are receiving federally funded benefits.

Condition:

During our review of participant files, it was noted that a participant was included on the active participant listing; however, they did not receive services during the year ended June 30, 2012.

Questioned Costs:

None.

Context:

One of the 13 participant files selected for testing did not contain documentation indicating services were provided to the program participant during the year ended June 30, 2012.

Effect:

Inaccurate participant listings and/or incomplete participant files could result in an ineligible participant being served, which would cause noncompliance with the grant agreement.

Cause:

Although the Center has policies and procedures which require the review of participant files and participant listings, they were not adhered to for this particular transaction.

Recommendation:

We recommend that the Center perform periodic reviews of participant files and participant listings to ensure they are complete, accurate, and up to date.

Management's Response:

As a part of our quality assurance and improvement programs, The Center engages in a coordinated quarterly record review process, monthly supervision covering program eligibility, and recordkeeping. The one file identified as not being in compliance was due to AFC program consolidation and the transition time in removing clients from the active list.

**CHRISTIAN COMMUNITY HEALTH CENTER
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2012**

Finding 2012-10 - Program Income

Major Program: Consolidated Health Centers
CFDA Number: 93.224
Federal Agency: Department of Health and Human Services
Grant Number: H80CS00594
Grant Period: March 1, 2011 through February 29, 2012
March 1, 2012 through February 28, 2013

Criteria:

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.

Condition:

During our review of program income generated by the Center, it was noted that there were instances in which the program income was incorrectly calculated and not billed in a timely manner.

Questioned Costs:

None.

Context:

- One of 40 encounters selected for testing was awarded a sliding scale discount without obtaining the necessary income verification documentation.
- Three of 40 encounters selected for testing were not billed within 30 days of the encounter date.
- Two of 40 encounters selected for testing were included on the listing of annual encounters but showed no date of service in the billing system.

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.

Cause:

Unknown.

Recommendation:

We recommend that the Center reinforce its policies related to obtaining income verification documentation for all patients that are provided a sliding scale discount. Additionally, we recommend that the Center implement a process whereby all encounters are billed to the responsible party in a timely manner.

**CHRISTIAN COMMUNITY HEALTH CENTER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2012**

Finding 2012-10 - Program Income

Major Program: Consolidated Health Centers
CFDA Number: 93.224
Federal Agency: Department of Health and Human Services
Grant Number: H80CS00594
Grant Period: March 1, 2011 through February 29, 2012
March 1, 2012 through February 28, 2013

Management's Response:

As part of our quality assurance and improvement programs, the Center engages in a coordinated quarterly record review process, monthly supervision covering program eligibility, and recordkeeping. All Center front desk staff received training on the appropriate process for verifying income, collecting appropriate documentation, and determining sliding scale fee. Monitoring reports tracking accountability in these areas are reviewed by the front desk leads and revenue cycle manager on a monthly basis for performance improvement.

In addition, the Center has moved billing services in-house to improve cash flow with daily charge entry and denial management activities. Lastly, the revenue cycle team will ensure practitioners' credentialing is updated as needed to minimize claims denial and improve revenue collections.

**CHRISTIAN COMMUNITY HEALTH CENTER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2012**

Finding 2011-1 - Accounting Policies and Procedures

Matter was still evident in the current year, see Finding 2012-1

Finding 2011-2 - Audit Adjustments

Matter was still evident in the current year, see Finding 2012-1.

Finding 2011-3 - Supporting Documentation

Matter was still evident in the current year, see Finding 2012-2.

Finding 2011-4 - Allocation of Expenses Between Periods

Matter was still evident in the current year, see Finding 2012-3.

Finding 2011-5 - Allocation of Payroll Costs

Matter was still evident in the current year, see Finding 2012-4.

Finding 2011-6 - Special Tests and Provisions

Of the five program participants selected for testing, two had children which were required to have a developmental screening performed. Only one of the two children received the developmental screening.

Recommendation:

We recommended that the Center implement a case file checklist to ensure the screenings were performed.

Management's Response:

The Center reinforced its policy on the written protocol to ensure children between the ages of 0-5 will receive a developmental screening coordinated by the Child and Family Activities Coordinator. The written protocol is established in accordance with the Illinois Department of Human Services' guidelines. No such finding was identified during the year ended June 30, 2012.

**CHRISTIAN COMMUNITY HEALTH CENTER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2012**

Finding 2011-7 - Special Tests and Provisions

For one of the 17 program participants selected for testing, the participant's file did not contain a *Tenant Rent Calculation Worksheet*. As a result of this, it was not possible to determine if the tenant was paying the appropriate portion of monthly rent.

Recommendation:

We recommended that the Center routinely review tenant files in order to ensure they contain the appropriate and necessary documentation.

Management's Response:

The Center developed an internal audit checklist to track and ensure that the necessary documentation is in the file. No such finding was identified during the year ended June 30, 2012.

Finding 2011-8 - Special Tests and Provisions

Matter was still evident in the current year, see Finding 2012-5.

Finding 2011-9 - Reporting

Matter was still evident in the current year, see Finding 2012-6.

Finding 2011-10 - Dual Signature Policy

Seven out of 80 disbursements selected for testing were greater than \$1,000 and were issued without the signature of a second authorized signor. The Center's disbursement policy requires two signatures for any check greater than \$1,000.

Recommendation:

We recommended that the Center follow its established policies and procedures regarding the required number of signers on checks in excess of \$1,000.

Management's Response:

Management has adopted an internal policy wherein all checks require two signatures, regardless of the amounts, so this kind of mistake will not occur. No such finding was identified during the year ended June 30, 2012.

**Christian Community Health Center
2012 Fiscal Audit Findings
Corrective Action Plan**

<i>Audit Finding</i>	<i>Auditor Recommendation</i>	<i>Corrective Action Plan</i>
<p><i>Finding 2012-1 - Audit Adjustment and Financial Statement Preparation</i></p> <p>A material adjustment was made as a result of the financial statement audit for the year ended June 30, 2012. Additionally, a material restricted net asset was omitted from the initial schedule of temporarily restricted net assets prepared by management.</p>	<p>We recommend that management develop a formal process whereby the allowance for uncollectible accounts is thoroughly analyzed and reviewed on a regular basis in order to ensure it adequately covers potential uncollectible balances. Additionally, as grants are received they should be evaluated for restricted purposes and separately tracked as restrictions are satisfied.</p>	<p>Management will implement a temporarily restricted net asset roll- forward schedule on a quarterly basis which will compare the expenses incurred to the contributions received.</p>
<p><i>Finding 2012-2 - Supporting documentation</i></p> <p>During our review of disbursements, it was noted that the Center did not obtain/retain proper documentation for an expense charged to each program.</p>	<p>We recommend that the Center strictly enforce its policies related to the use of Company credit cards.</p>	<p>Management will reinforce its policies related to the use of company credit cards and those who do not adhere to the policy will lose there privileges of the company credit card.</p> <p>Any issues with not receiving receipts will be immediately reported to the direct manager and the CEO. We will then suspend use to the credit card and disciplinary actions will be taken on the staff person who violated the policy.</p>
<p><i>Finding 2012-3 - Allocation of expenses between periods</i></p> <p>During our review of disbursements, it was noted that a portion of one transaction was recorded in a period other than when it occurred. However, the cost was still recorded within an allowable grant period therefore it did not result in a questioned cost.</p>	<p>We recommend that management closely review transactions occurring near the end of the fiscal year in order to ensure they are captured in the correct period.</p>	<p>Management has implemented a new procedure as part of year end closing; where by all transactions related to the prior fiscal year will be closely reviewed and posted by the Finance Manager and Controller. In addition, quarterly sample reviews will be conducted of the Finance Department to monitor recording accruals.</p>

**Christian Community Health Center
2012 Fiscal Audit Findings
Corrective Action Plan**

<p><i>Finding 2012-4 - Allocation of Payroll Costs</i></p> <p>The Center charges payroll costs to federal programs based upon budgeted amounts within the grant agreements.</p>	<p>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.</p>	<p>CCHC has implemented a practical and full functioning employee time documentation process during fiscal year 2013. Since then the Time study process has been changed. Time studies of employees will be conducted bi-weekly with payroll beginning 07/22/2013. All employees are required to participate.</p> <p>The Time Studies are compiled and reviewed Finance and Human Resources. Any discrepancies in staff allocation and adjustments will be rectified prior to the next payroll period. During the regularly scheduled Grants Management Meeting, any discrepancies and corrective action measures will become a standing agenda item discussed with Program Managers and Key Staff.</p>
<p><i>Finding 2012-5 - Special Tests and Provisions</i></p> <p>The Center did not have a signed confidentiality statement on file for an employee working on the grant.</p>	<p>We recommend that the Center perform periodic reviews of employee personnel files in order to ensure they contain the required documentation based upon the terms of the grant agreements.</p>	<p>CCHC's Quality Assurance and Compliance will conduct periodic compliance reviews of personnel files.</p>

**Christian Community Health Center
2012 Fiscal Audit Findings
Corrective Action Plan**

<i>Audit Finding</i>	<i>Auditor Recommendation</i>	<i>Corrective Action Plan</i>
<p><i>Finding 2012-6 - Reporting</i></p> <p>The Center failed to submit required reports within the required timeframes included in various grant agreements.</p>	<p>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</p>	<p>The Controller will better track compliance with federal grant reporting requirements in order to be compliant. Additionally our financial close process has been streamlined to ensure timelier closing of period end dates enabling our fiscal year end audit to commence sooner, thereby avoiding the timeliness of filing violations for year end statements.</p> <p>If reports are not submitted timely this should be reported immediately to the CEO who will ensure submission.</p>
<p><i>Finding 2012-7 – Allocation of grant expenses</i></p> <p>During our review of disbursements, it was noted that two transactions were recorded to the incorrect grant.</p>	<p>We recommend that the Center continue to enforce and monitor controls in place related to the review of expense coding prior to checks being issued.</p>	<p>Management has implemented a new procedure as part of month end closing; where by all transactions related to grants will be reviewed and approved by the Finance Manager and the Controller before being posted in the accounting general ledger.</p>
<p><i>Finding 2012-8 - Special Tests and Provisions</i></p> <p>Housing Options Screening Tool was not always completed within one week of program entry.</p>	<p>We recommend the Center reinforce to program employees the importance of completing program tasks in a timely manner. The Center should also implement a process to review participant files to ensure data has been captured timely.</p>	<p>As part of our quality assurance and improvement programs, CCHC engages in a coordinated quarterly record review process, and monthly supervision covering program eligibility and record keeping. CCHC conducted training with staff on required documentation for participant’s file. The supervisor routinely reviews charts to verify that all required documentation is in participants’ files and includes a review of participants’ files in monthly staff supervisions</p>

**Christian Community Health Center
2012 Fiscal Audit Findings
Corrective Action Plan**

<i>Audit Finding</i>	<i>Auditor Recommendation</i>	<i>Corrective Action Plan</i>
<p><i>Finding 2012-9 – Eligibility</i></p> <p>During our review of participant files, it was noted that a participant was included on the active participant listing, however they did not receive services during the year ending June 30, 2012.</p>	<p>We recommend that the Center perform periodic reviews of participant files and participant listings to ensure they are complete, accurate and up-to-date.</p>	<p>As a part of our quality assurance and improvement programs, CCHC engages in a coordinated quarterly record review process, and monthly supervision covering program eligibility and record keeping.</p>
<p><i>Finding 2012-10 – Program Income</i></p> <p>During our review of program income generated by the Center, it was noted that there were instances in which the program income was incorrectly calculated and not billed in a timely manner.</p>	<p>We recommend that the Center reinforce its policies related to obtaining income verification documentation for all patients that are provided a sliding scale discount. Additionally, we recommend that the Center implement a process whereby all encounters are billed to the responsible party in a timely manner</p>	<p>As part of our quality assurance and improvement programs, CCHC engages in a coordinated quarterly record review process, and monthly supervision covering program eligibility and record keeping. All CCHC front desk staff received training on the appropriate process for verifying income, collecting appropriate documentation and determining sliding scale fee. Monitoring reports tracking accountability in these areas are reviewed by the front desk leads and Revenue Cycle Manager on a monthly basis for performance improvement.</p>