SHASTA COMMUNITY HEALTH CENTER

Financial and Compliance Report

December 31, 2012

Contents

McGladrey

Independent Auditor's Report on the
Financial Statements and Supplementary Information

To the Board of Directors
Shasta Community Health Center, Inc.
Redding, CA

Report on the Financial Statements

We have audited the accompanying financial statements of Shasta Community Health Center, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Member of the RSM International network of independent accounting, tax and consulting firms.

Report on Summarized Comparative Information

We have previously audited the Organization's 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 7, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Organization's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2013 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

McGladrey LLP

Los Angeles, CA
June 3, 2013

Shasta Community Health Center, Inc.

Statement of Financial Position
December 31, 2012 (With Comparative Totals at December 31, 2011)

Assets	Unrestricted	Temporarily Restricted	2012 Total	2011 Total
Current Assets				
Cash	**$ 6,028,054**	**$ 115,053**	**$ 6,143,107**	$ 6,000,544
Patient accounts receivable (Note 3)	**1,752,258**	**-**	**1,752,258**	2,017,381
Estimated Medi-Cal settlements, current	**-**	**-**	**-**	224,531
Grants receivable and promises to give, net (Note 3)	**73,930**	**31,885**	**105,815**	132,319
Other receivable	**588,379**	**-**	**588,379**	656,710
Supplies inventory	**133,784**	**-**	**133,784**	92,764
Prepaid expenses	**217,728**	**-**	**217,728**	269,238
Investments (Note 4)	**1,085,005**	**-**	**1,085,005**	1,068,702
Total current assets	**9,879,138**	**146,938**	**10,026,076**	10,462,189
Noncurrent Assets				
Cash restricted for facility construction	**-**	**111,466**	**111,466**	28,477
Promises to give restricted for construction (Note 3)	**-**	**141,256**	**141,256**	128,325
Estimated Medi-Cal settlements	**34,808**	**-**	**34,808**	137,710
Property and equipment, net (Note 5)	**14,443,850**	**-**	**14,443,850**	13,538,243
Deposits	**140,928**	**-**	**140,928**	126,876
Deferred financing costs	**7,446**	**-**	**7,446**	9,321
Total long-term assets	**14,627,032**	**252,722**	**14,879,754**	13,968,952
Total assets	**$ 24,506,170**	**$ 399,660**	**$ 24,905,830**	$ 24,431,141

Liabilities and Net Assets	Unrestricted	Temporarily Restricted	2012 Total	2011 Total
Current Liabilities				
Accounts payable	**$ 394,003**	**$ -**	**$ 394,003**	$ 400,915
Payroll and related expenses	**1,058,964**	**-**	**1,058,964**	856,865
Accrued expenses	**8,940**	**-**	**8,940**	105,597
Deferred revenue	**45,452**	**-**	**45,452**	49,703
Estimated Medi-Cal settlements	**73,292**	**-**	**73,292**	77,547
Notes payable, current portion (Note 6)	**162,924**	**-**	**162,924**	221,417
Capital lease payable, current portion (Note 6)	**74,251**	**-**	**74,251**	71,928
Estimated self-insurance costs (Note 6)	**357,306**	**-**	**357,306**	481,858
Total current liabilities	**2,175,132**	**-**	**2,175,132**	2,265,830
Noncurrent Liabilities				
Notes payable (Note 6)	**378,000**	**-**	**378,000**	540,843
Capital lease payable (Note 6)	**201,836**	**-**	**201,836**	260,877
Deferred rent	**40,584**	**-**	**40,584**	37,650
Total noncurrent liabilities	**620,420**	**-**	**620,420**	839,370
Commitment and Contingencies (Note 10)				
Net Assets				
Unrestricted	**20,210,618**	**-**	**20,210,618**	19,506,128
Unrestricted, designated	**1,500,000**	**-**	**1,500,000**	1,500,000
Temporarily restricted (Note 7)	**-**	**399,660**	**399,660**	319,813
Total net assets	**21,710,618**	**399,660**	**22,110,278**	21,325,941
Total liabilities and net assets	**$ 24,506,170**	**$ 399,660**	**$ 24,905,830**	$ 24,431,141

See Notes to Financial Statements.

Shasta Community Health Center, Inc.

Statement of Activities
For the Year Ended December 31, 2012
(With Comparative Totals at December 31, 2011)

	Unrestricted	Temporarily Restricted	2012 Total	2011 Total
Revenue and support:				
Revenue:				
Net patient service revenue	$ 19,099,596	$ -	$ 19,099,596	$ 19,271,636
DHHS grant	3,747,123	-	3,747,123	3,702,182
340B revenue	2,301,784	-	2,301,784	1,607,878
Meaningful use funds	935,000	-	935,000	-
Interest income	49,804	5	49,809	49,133
Other revenue	60,891	843	61,734	111,015
Total revenue	26,194,198	848	26,195,046	24,741,844
Support:				
Grants, contracts and contributions	920,792	364,016	1,284,808	1,198,719
In-kind contributions	1,391,641	-	1,391,641	1,230,467
Total support	2,312,433	364,016	2,676,449	2,429,186
Net assets released from restriction (Note 7):				
Satisfied by purpose	154,472	(154,472)	-	-
Satisfied by purchase of property and facility construction	130,546	(130,546)	-	-
Total net assets released from restrictions	285,018	(285,018)	-	-
Total revenue and support	28,791,649	79,846	28,871,495	27,171,030
Expenses:				
Functional expenses:				
Program services:				
Medical services	17,741,875	-	17,741,875	16,643,069
Dental services	2,910,814	-	2,910,814	2,921,047
Supporting services:				
Management and general	7,236,894	-	7,236,894	6,264,498
Fundraising costs	146,474	-	146,474	135,132
Total functional expenses	28,036,057	-	28,036,057	25,963,746
Unrealized (loss) gain on investments	(22,000)	-	(22,000)	37,798
Loss on retirement of assets	(29,101)	-	(29,101)	(23,862)
Change in net assets	704,491	79,846	784,337	1,221,220
Net assets:				
Beginning	21,006,127	319,814	21,325,941	20,104,721
Ending	$ 21,710,618	$ 399,660	$ 22,110,278	$ 21,325,941

See Notes to Financial Statements.

Shasta Community Health Center, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2012
(With Comparative Totals at December 31, 2011)

	Medical	Dental	Management and General	Fundraising Activities	2012 Total	2011 Total
Salaries and related:						
Salaries and wages	$ 10,958,924	$ 1,641,806	$ 3,923,850	$ 116,308	$ 16,640,888	$ 15,503,276
Payroll taxes	794,239	129,967	300,686	9,305	1,234,197	1,179,650
Worker's compensation insurance	268,421	39,391	107,258	2,908	417,978	326,581
Recruitment and retention	6,303	1,697	145,872	-	153,872	64,665
Continuing education	151,448	14,747	196,964	-	363,159	344,052
Fringe benefits	1,247,895	231,418	529,719	11,500	2,020,532	2,065,480
Total salaries and related	13,427,230	2,059,026	5,204,349	140,021	20,830,626	19,483,704
Purchased services:						
Contracted clinician services	367,948	43,423	-	-	411,371	406,347
Contracted services, other	111,376	1,658	375,259	-	488,293	410,813
Laboratory services	13,995	109,197	1,006	-	124,198	127,720
Consulting services	20,867	-	64,368	-	85,235	91,957
Total purchased services	514,186	154,278	440,633	-	1,109,097	1,036,837
Supplies and other:						
Drugs and medications	350,607	765	6,745	-	358,117	294,416
Medical/dental supplies	299,060	187,473	27,148	-	513,681	469,377
Equipment costs	148,415	53,034	361,507	-	562,956	538,568
Bank fees	-	-	11,072	-	11,072	13,719
Penalties and late fees	-	-	-	-	-	911
Interest expense	499	16,479	17,165	-	34,143	32,107
Office supplies	113,556	16,988	251,072	-	381,616	334,470
Bad debts and write-offs	332,566	24,759	1,488	-	358,813	292,371
Contributions	-	-	4,531	-	4,531	7,829
Other expenses	183,273	19,452	273,788	-	476,513	401,083
Total supplies and other	1,427,976	318,950	954,516	-	2,701,442	2,384,851
Building and occupancy:						
Occupancy costs	550,081	228,990	350,259	4,000	1,133,330	1,066,667
Depreciation	471,680	111,952	276,202	-	859,834	750,941
Professional liability insurance	-	-	6,076	-	6,076	9,109
Total building and occupancy	1,021,761	340,942	632,537	4,000	1,999,240	1,826,717
In-kind:						
Lab fees in-kind	193,400	-	-	-	193,400	124,800
Equipment maintenance in-kind	-	-	-	-	-	245
Minor equipment in-kind	-	-	3,200	-	3,200	3,200
Drugs and medications in-kind	1,151,293	-	-	-	1,151,293	1,065,693
Supplies in-kind	6,029	37,618	100	-	43,747	36,529
Total in-kind	1,350,722	37,618	3,300	-	1,391,640	1,230,467
Other items:						
Fundraising costs	-	-	-	2,453	2,453	-
Lobbying expense	-	-	1,559	-	1,559	1,170
Total other items	-	-	1,559	2,453	4,012	1,170
Total functional expenses	$ 17,741,875	$ 2,910,814	$ 7,236,894	$ 146,474	$ 28,036,057	$ 25,963,746

See Notes to Financial Statements.

Shasta Community Health Center, Inc.

Statement of Cash Flows
For the Year Ended December 31, 2012
(With Comparative Totals at December 31, 2011)

	2012	2011
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	**$ 19,315,016**	$ 18,174,509
Cash received from third-party settlements	**249,886**	306,087
Receipts from grants and contributions	**5,305,324**	4,743,919
Payments to suppliers	**(5,503,338)**	(5,095,827)
Payments to employees	**(20,669,566)**	(19,074,987)
Interest received	**33,506**	11,335
Interest paid	**(34,143)**	(32,107)
Other operating receipts	**3,415,235**	1,771,751
Net cash provided by operating activities	**2,111,920**	804,680
Cash Flows From Investing Activities		
Purchase of property and equipment	**(1,777,403)**	(1,840,518)
Purchase of governmental bonds	**(38,303)**	(1,030,904)
Net cash used in investing activities	**(1,815,706)**	(2,871,422)
Cash Flows From Financing Activities		
Proceeds from borrowings	**-**	334,152
Principal payments on long-term debt	**(221,336)**	(214,550)
Principal payments on capital leases	**(73,857)**	(24,985)
Grants and contributions received for capital acquisitions	**141,542**	1,255,449
Net cash (used in) provided by financing activities	**(153,651)**	1,350,066
Increase (decrease) in cash	**142,563**	(716,676)
Cash, beginning of period	**6,000,544**	6,717,220
Cash, end of period	**$ 6,143,107**	$ 6,000,544

(Continued)

Shasta Community Health Center, Inc.

Statement of Cash Flows (Continued)
For the Year Ended December 31, 2012
(With Comparative Totals at December 31, 2011)

	2012	2011
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
Change in net assets	**$ 784,337**	$ 1,221,220
Grants and contributions restricted to capital acquisitions	**(106,916)**	(33,748)
Depreciation and amortization	**859,834**	750,942
Loss on disposal of property and equipment	**29,101**	23,862
Unrealized loss (gain) on investments	**22,000**	(37,798)
	1,588,356	1,924,478
(Increase) decrease in operating assets:		
Patient and other accounts receivable, net	**283,751**	(1,097,128)
Grants and contributions receivable	**(104,042)**	44,017
Estimated Medi-Cal settlements	**249,886**	159,722
Other assets	**(1,687)**	(196,476)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	**(30,277)**	(96,804)
Accrued self-insurance costs	**202,099**	(48,834)
Other current liabilities	**(76,166)**	115,705
Net cash provided by operating activities	**$ 2,111,920**	$ 804,680
Noncash Financing and Investing Information		
Accounts payable incurred for property and equipment	**$ -**	$ 22,908
Capital lease obligation incurred for property and equipment	**$ 17,139**	$ 334,152

See Notes to Financial Statements.

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of activities: Shasta Community Health Center, Inc. (the Organization) is a nonprofit corporation incorporated on June 14, 1988, under the laws of the State of California, for the purpose of providing low-cost, high-quality, comprehensive primary care services to the medically underserved populations of Shasta County. The Organization is a Federally Qualified Health Center (FQHC) and provides a variety of medical, dental, mental health, health education and enabling services to the community. The Organization derives its support through public insurance programs, such as Medi-Cal and Medicare, direct federal funding from the U.S. Department of Health and Human Services (DHHS), state and local grants, private grants and contributions.

A summary of the Organization's significant accounting policies is as follows:

Basis of presentation: The Organization classifies its net assets into three categories, which are unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets are reflective of revenues and expenses associated with the principal operating activities of the Organization and are not subject to donor-imposed stipulations. The Board of Directors has designated that $1,500,000 of unrestricted net assets be reserved for future investment in capital expansion projects. Board designations do not meet the criteria for classification as restricted net assets as there are no donor-imposed restrictions and they are subject to change at the Board's discretion.

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the financial statements.

Permanently restricted net assets are subject to donor-imposed stipulations that must be maintained permanently by the Organization. There were no permanently restricted net assets as of December 31, 2012 and 2011.

Basis of accounting: The financial statements of the Organization have been prepared on the accrual basis, whereas revenue is recognized when earned and expenses are recognized when incurred, which is in accordance with accounting principles generally accepted in the United States of America. The Organization's significant accounting policies are described below.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash: Cash consists of highly liquid deposit accounts held with banking institutions.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Patient accounts receivable: Patient services receivable, including amounts due from third-party payors, are stated at their estimated net realizable value. As a service to the patient, the Organization bills third-party payors directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. The Organization maintains allowances for uncollectible accounts and estimated losses resulting from a patient's inability to make payments on accounts. Receivables due directly from patients are carried at the original charge for the service provided less discounts, less amounts covered by third-party payors and less an estimated allowance for doubtful receivables. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Organization does not charge interest on past-due accounts. Patient receivables net of discounts are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received.

Medi-Cal settlements: Medi-Cal settlements represent patient service reimbursements for patients who qualify for Medi-Cal coverage as a secondary payor. An annual reconciliation report is submitted to the State Department of Health Care Services that reconciles the difference between the amounts paid and the prospective payment amount. Balances due to/from Medi-Cal under this arrangement have a statutory time limit of three years from the date of filing of the reconciliation report to be settled. Balances due from Medi-Cal under this arrangement represent services charged at rates set through a prospective payments system (PPS).

Grants and contracts receivable: Grants and contracts receivable reflect amounts earned but not yet collected for which the Organization expects to realize payment.

Supplies inventory: Inventories are stated at cost determined on a first-in, first-out basis. Inventories consist of medical, dental, office and housekeeping supplies.

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Fair value measurements: Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." A hierarchy has been established to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that reflect the assumptions that market participants would use in pricing the asset and are based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1: Securities traded in an active market for which quoted market prices are observable. This level includes mutual funds.
- Level 2: Securities not traded in an active market, but for which observable market inputs are readily available or Level 1 securities where there is a contractual restriction.
- Level 3: Securities not traded in an active market and for which no significant observable market inputs are available.

Prepaid expenses: Prepaid expenses represent a cash outlay for services that have not been received and are amortized to expenses ratably over the respective service period.

Promises to give: Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years have been initially measured at fair value using a discount rate of 3 percent and subsequently measured based on discounted cash flows reduced by an allowance for uncollectible amounts. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Contributions: All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Property and equipment: Purchases of property and equipment are recorded at cost. Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support until the donated asset is placed in service. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the assets, which range from three to 40 years. Leasehold improvements are amortized on a straight-line basis over the estimated useful life of the improvements or the term of the lease, whichever is less. The Organization capitalizes all purchases of property and equipment with useful lives of more than one year, which are equal to or in excess of $5,000.

According to federal regulations, any equipment items obtained through federal funds are subject to a lien by the federal government. As long as the Organization maintains its tax-exempt status, or so long as the equipment is used for its intended purpose, the Organization is not required to reimburse the federal government. If the stated requirements are not met, the Organization would be obligated to the federal government in an amount equal to the fair value of the equipment. The net book value of such equipment was $1,209,475 and $1,305,824 at December 31, 2012 and 2011, respectively.

Deferred revenue: Deferred revenue consists of patient receipts for dental prosthetic services that have yet to be rendered.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Net patient service revenue: The Organization is approved as a FQHC for both Medicare and Medi-Cal reimbursement purposes. The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. These payment arrangements include:

- Medicare: Covered FQHC services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology up to an upper payment limit. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report by the Organization and audit thereof by the Medicare fiscal intermediary. Services not covered under the FQHC benefit are paid based on established fee schedules.

- Medi-Cal: Covered FQHC services rendered to Medi-Cal program beneficiaries are paid on a prospectively determined reimbursement methodology. The Organization is reimbursed a prospectively determined encounter rate for covered services provided. The encounter rate is adjusted annually based on the annual change in the Medicare Economic Index and certain other factors.

Revenues from participation in the state-sponsored Medi-Cal and federal Medicare programs were approximately 43 percent and 17 percent, respectively, of net patient revenues for the year ended December 31, 2012, and 51 percent and 15 percent, respectively, for the year ended December 31, 2011. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates could change materially in the near term.

Grant agreements: Included in DHHS grant revenue, the Organization recognized federal assistance revenue (up to the contract ceiling) on a pro-rata basis over a 12-month period, which represents the service for the contract.

The Organization is the recipient of a Community Health Centers (CHC) grant and Health Care for Homeless (HCH) grant from the DHHS. The general purpose of these grants is to provide expanded health care services in Shasta County, California and surrounding areas. The annual grant award is on a May 31st fiscal period. Terms of the grant generally provide for funding of the Organization’s operations based on an approved budget. The Organization received $3,195,596 and $3,163,069 in CHC grant funds and $551,527 and $539,113 in HCH grant funds during the years ended December 31, 2012 and 2011, respectively.

The Health Information Technology for Economic and Clinic Health (HITECH) portion of the American Recovery and Reinvestment Act of 2009 includes $27 billion in incentives through Medicare and Medicaid reimbursement systems to foster electronic health record (EHR) adoption. In order to be eligible for EHR incentive funding, eligible hospitals and professionals must use a certified EHR, report quality measures and achieve “meaningful use,” as defined by HITECH. The Organization received $935,000 of meaningful use money during the year ended December 31, 2012. Meaningful use money is recognized when received.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

340B revenue: The Organization participates in the 340B "Drug Discount Program," which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Pricing Program is managed by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs. The Organization earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Organization has a network of participating pharmacies and does not dispense the pharmaceuticals directly to its patients. Reported earnings consist of the pharmacy reimbursements, net of the initial purchase price of the drugs and fees.

	2012	2011
Gross receipts	$ 5,898,784	$ 4,478,864
Drug replenishment costs	(2,153,655)	(1,785,977)
Administration and filling fees	(1,443,345)	(1,085,009)
	$ 2,301,784	$ 1,607,878

The earnings from this program are used in furtherance of the Organization's mission.

In-kind contributions: In addition to receiving cash contributions, the Organization receives in-kind contributions of supplies, equipment, pharmaceuticals and lab services. It is the policy of the Organization to record the estimated fair value based on replacement cost of these in-kind contributions as contribution revenue and operating expense. In-kind contributions received during the years ended December 31, 2012 and 2011 had fair values of $1,391,640 and $1,230,467, respectively.

Functional allocation of expenses: The costs of supporting various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among program and support services categories based on various methods. The statement of functional expenses presents, by natural classifications, the expenses of each program and support services.

Tax status: The Organization is tax-exempt under the Internal Revenue Code (IRC) Section 501(c)(3) and is required to file a Form 990 (Return of Organization Exempt From Income Tax) annually. Accordingly, income taxes are not provided for in the accompanying financial statements. Forms 990 filed by the Organization are subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Forms filed by the Organization are generally no longer subject to examination for the years 2008 and prior. The Organization would be subject to federal income tax should it generate any unrelated business taxable income.

The Organization follows the accounting guidance for accounting for uncertainty in income taxes. In accordance with the guidance for uncertainty in income taxes, management has evaluated its material tax positions and determined that there are no income tax effects with respect to its financial statements.

Prior year comparative totals: The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a complete presentation in conformity with accounting principles generally accepted in the United States of America, and accordingly should be read in conjunction with the Organization's 2011 financial statements from which the information was derived.

Certain prior year amounts have been reclassified to conform with the current year's financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Subsequent events: The Organization evaluated events and transactions occurring subsequent to December 31, 2012 through June 3, 2013, which is the date the financial statements were available to be issued. During this period, there were no subsequent events requiring recognition in the financial statements. Additionally, there were no nonrecognized subsequent events requiring disclosure.

Note 2. Concentration of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors is as follows at December 31:

	Net Receivables	
	2012	2011
Medicare	27%	26%
Medi-Cal	42%	52%
Private insurance	13%	13%
Self-pay and other third-party payors	18%	9%
	100%	100%

The Organization's cash balances are primarily held with a bank under a retail repurchase agreement in which the account balances are collateralized by securities that are the direct obligation of, or the principal and interest of which are fully guaranteed by, the federal government. These accounts are not insured by the Federal Deposit Insurance Corporation (FDIC) and are subject to investment risks similar to those of other federal government securities. In the event of bank failure, the Organization's accounts would be unsecured to the extent that the cash balances exceed the market value of the collateral.

Other financial instruments that potentially subject the Organization to concentration of credit risk consist of cash deposits at institutions that are insured by the FDIC. Effective July 21, 2010, the FDIC's insurance limits were permanently increased to $250,000. At December 31, 2012, the Organization's uncollateralized cash accounts did not exceed federally insured limits.

Note 3. Grants Receivable and Promises to Give

Patient, grants and promises to give receivable consist of the following at December 31:

	2012	2011
Patient accounts receivable, gross	$ 2,130,892	$ 2,211,881
Allowance for uncollectible accounts	(378,634)	(194,500)
Patient accounts receivable, net	$ 1,752,258	$ 2,017,381
Grants and promises to give receivable:		
Receivables due in less than one year	$ 105,815	$ 132,319
Grants and promises to give restricted for construction:		
Amounts due in one year	$ 139,026	$ 130,905
Amounts due in two to four years	2,990	6,020
	142,016	136,925
Less allowance and discount to present value	(760)	(8,600)
	$ 141,256	$ 128,325

Note 4. Investments

The fair value of investment as of December 31 was as follows:

	2012	2011
Mutual funds:		
U.S. government securities	$ 1,085,005	$ 1,068,702

The Organization carries all investments in mutual funds with readily determinable fair values based on quoted prices in active markets (all Level 1 instruments). Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

	2012	2011
Net investment gain:		
Interest and dividends	$ 38,303	$ 30,904
Net unrealized gains (losses)	(22,000)	37,798
	$ 16,303	$ 68,702

Note 5. Property and Equipment

Property and equipment, net, consisted of the following at December 31:

	2012	2011
Land and improvements	$ 4,381,759	$ 3,745,447
Buildings and improvements	10,621,836	10,120,698
Leasehold improvements	729,370	715,305
Furniture and fixtures	96,994	71,268
Office equipment	422,140	393,555
Medical and dental equipment	959,358	899,032
Vehicles	305,429	305,429
Computer hardware and software	1,840,065	1,760,537
Construction in progress	1,232,293	835,406
	20,589,244	18,846,677
Accumulated depreciation	(6,145,394)	(5,308,434)
	$ 14,443,850	$ 13,538,243

The Organization completed the expansion of the City of Shasta Lake Clinic during the year. Included in the December 31, 2012 ending construction in progress balance are $186,000 for a new mobile medical van and architectural costs and site preparation costs for the expansion of the Redding Clinic. These projects are funded through a combination of grants, contributions, long-term financing and reserves.

Financial Accounting Standards Board Accounting Standards Codification 835, *Interest*, states that interest should be capitalized when the construction of an asset is likely to involve a significant amount of interest cost. Since the majority of the Organization's construction in progress is funded using grants and other donations restricted by the donors for acquisition of specific property, no interest has been capitalized.

Note 6. Long-Term Debt and Capital Lease Obligation

Equipment includes assets recorded under these capital leases at December 31, 2012 and 2011, with totals of $351,290 and $363,496, respectively. Accumulated amortization related to this equipment was $79,873 and $27,440, respectively.

	2012	2011
Note payable to California Health Facilities Association, payable $2,617 monthly, including interest at 3%, secured by real property in the City of Shasta Lake, due August 2024.	$ 308,846	$ 330,633
Note payable to NCB Capital Impact, payable $10,828 monthly, including interest at 3.175%, due June 2013.	64,467	190,252
Note payable to California Health Facilities Association, payable $6,666 monthly, including interest at 3%, secured by equipment, due March 2015.	167,611	241,375
Lease payable to Cisco Systems Capital Corporation, payable $6,145 monthly, including interest at 4%, secured by equipment, due September 2016.	256,594	318,948
Lease payable to Cisco Systems Capital, payable $815 monthly, including interest at 0%, secured by equipment, due April 2013.	4,075	13,857
Lease payable to GE Capital, payable $555 monthly, including interest at 10.577%, secured by equipment, due August 2015.	15,418	-
	817,011	1,095,065
Less current maturities	237,175	293,345
	$ 579,836	$ 801,720

Note 6. Long-Term Debt and Capital Lease Obligation (Continued)

Aggregate annual maturities of long-term debt and capital lease obligations at December 31, 2012 are as follows:

Years Ending December 31,		Long-Term Debt (Excluding Leases)		Capital Lease Obligations
2013	$	162,924	$	84,713
2014		101,452		80,637
2015		37,119		78,417
2016		24,561		54,746
2017		25,308		-
Thereafter		189,560		-
	$	540,924		298,513
Less amount representing interest under capital lease obligation				22,426
			$	276,087

The Organization is subject to certain loan agreement covenants that require the maintenance of certain financial ratios and minimum net asset balances.

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31:

		2012		2011
Health care services for indigent patients	$	45,910	$	20,749
Support services		-		25,732
Dental services for indigent patients		15,607		15,862
Equipment/EHR		1,821		9,075
Outreach and education		83,601		91,594
Purchase of equipment and facility construction		252,721		156,801
	$	399,660	$	319,813

Note 8. Operating Leases

The Organization has operating leases for certain facilities that expire in various years through 2017. These leases generally contain renewal options for periods ranging from one to 10 years.

Future minimum lease payments as of December 31, 2012 are as follows:

Years Ending December 31,		Amount
2013	$	137,100
2014		126,624
2015		130,068
2016		133,608
2017		137,256
Thereafter		24,000
	$	688,656

Rent expense under operating leases totaled $188,214 and $194,500 for the years ended December 31, 2012 and 2011, respectively.

Note 9. Retirement Plan

The Organization has adopted an IRC Section 403(b) defined-contribution plan covering substantially all employees. The Organization provides matching contributions equal to 100 percent of each participant's eligible contribution that does not exceed 5 percent of compensation. Retirement plan expense of $538,125 and $439,255 was recognized during the years ended December 31, 2012 and 2011, respectively.

The Organization provides for a 457 plan (the Plan). The Plan is a nonqualified tax advantage deferred compensation retirement plan that allows employees to defer compensation into the Plan on a pre-tax basis.

Note 10. Commitments and Contingencies

Professional liability insurance: The Federally Supported Health Centers Assistance Act of 1992 and 1995 granted medical malpractice liability protection through the Federal Tort Claims Act (FTCA) to FQHCs. Under this legislation, the Organization, its employees and eligible contractors are considered federal employees immune from suit, with the federal government acting as their primary insurer. FTCA coverage is comparable to an occurrence policy without a monetary cap. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based on the Organization's claim experience, no such accrual has been made. However, because of the risks involved in providing health care services, it is possible that an event has occurred that will be the basis of a future material claim.

Economic conditions: As a proactive response to the uncertainties related to the economy, the Organization maintains a $1,500,000 credit line from a local community bank, which is secured by patient receivables. The line of credit expires on September 1, 2013, and there were no borrowings as of December 31, 2012.

Note 10. Commitments and Contingencies (Continued)

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

The Organization typically receives financial support from other federal, state, county and private sources. Generally, such support requires compliance with terms and conditions specified in grant agreements and must be renewed on an annual basis. Any of the funding sources may, at their discretion, request reimbursement for expenses, return of funds, or both as a result of noncompliance by the Organization with the terms of the grants or contracts.

Laws and regulations concerning government programs, including Medicare, Medicaid and various other programs, are complex and subject to varying interpretation. As a result of nationwide investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines and penalties and exclusion from related programs. The Organization expects that the level of review and audit to which it and other health care providers are subject will increase. There can be no assurance that regulatory authorities will not challenge the Organization’s compliance with these regulations, and it is not possible to determine the effect, if any, such claims or penalties would have upon the Organization.

Various lawsuits, claims and other contingent liabilities arise in the ordinary course of the Organization’s activities. Based upon information currently available, management believes that any resulting liability will not materially affect the financial position or operations of the Organization.

On May 1, 2012, the Organization was notified that it was awarded a facility expansion grant in the amount of $5,000,000. This will supplement the expansion costs of the Organization’s health center in Redding, California. The total cost of the project is estimated to be approximately $10,000,000. The Organization will incur debt during 2013 to begin this project. The project is expected to break ground in late fall of 2013.

Shasta Community Health Center, Inc.

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

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount Expended
Consolidated Health Centers	U.S. Department of Health and Human Services	93.224	6 H80 CS 00832-10-02	$ 957,100
Consolidated Health Centers	U.S. Department of Health and Human Services	93.527	6 H80 CS 00832-10-02	612,946
Consolidated Health Centers	U.S. Department of Health and Human Services	93.527	6 H80 CS 00832-11-02	882,632
Consolidated Health Centers	U.S. Department of Health and Human Services	93.224	6 H80 CS 00832-11-02	1,297,102
Consolidated Health Centers	U.S. Department of Health and Human Services	93.527	6 H80 CS 00832-11-01	15,213
Total				3,764,993
Grants to Provide Outpatient Early Intervention Services With Respect to HIV Disease	U.S. Department of Health and Human Services	93.918	6 H76 HA 00616-12-01	119,049
Grants to Provide Outpatient Early Intervention Services With Respect to HIV Disease	U.S. Department of Health and Human Services	93.918	5 H76 HA 00616-13-01	133,743
Total				252,792
Model State-Supported Area Health Education Centers	U.S. Department of Health and Human Services/ Regents of the University of California/Health Alliance of Northern California	93.107	6 U77 HP 23071	10,585
Total				10,585
Emergency Food and Shelter National Board Program	U.S. Department of Homeland Security Federal Emergency Management Agency/United Way Worldwide/Shasta County Department of Housing and Community Action Programs	97.024	LRO: 089600-024	1,330
Total				1,330
Total expenditures of federal awards				$ 4,029,700

See Notes to Schedule of Expenditures of Federal Awards.

Shasta Community Health Center, Inc.

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

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

Note 2. Subrecipients

The Organization provided no federal awards to subrecipients for the year ended December 31, 2012.

McGladrey

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*

To the Board of Directors
Shasta Community Health Center, Inc.
Redding, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Shasta Community Health Center, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 3, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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The Organization's Responses to Findings

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

Purpose of this Report

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

McGladrey LLP

Los Angeles, CA
June 3, 2013

McGladrey

Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by Office of Management and Budget Circular A-133

To the Board of Directors
Shasta Community Health Center, Inc.
Redding, CA

Report on Compliance for Each Major Federal Program

We have audited Shasta Community Health Center, Inc.'s (the Organization) compliance with the types of compliance requirements described in the Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2012. The Organization's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1. Our opinion on the major federal program is not modified with respect to this matter.

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The Organization’s response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Organization’s response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

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

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

McGladrey LLP

Los Angeles, CA
June 3, 2013

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

- Material weakness(es) identified? ______ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ______ Yes __X__ None reported
- Noncompliance material to the financial statements noted? ______ Yes __X__ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ______ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ______ Yes __X__ None reported

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

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
93.224/93.527	U.S. Department of Health and Human Services: Consolidated Health Centers

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

Auditee qualified as low-risk auditee? __X__ Yes ______ No

II. Financial Statement Findings

None

III. Findings and Questioned Costs for Federal Awards

2012-1 – Reporting

Federal program: Consolidated Health Centers – 93.224/93.527

Federal agency: U.S. Department of Health and Human Services

Criteria: Under the Notice of Grant Award, the Organization was required to submit a final accomplishments report by November 1, 2012.

Condition/context: The Organization submitted the final accomplishments report on November 19, 2012.

Questioned costs: There are no questioned costs associated with this finding.

Cause/effect: The individual responsible for filing the report did not adhere to established reporting guidelines. The possible effect of not filing required reports in accordance with compliance requirements is that future funding may be denied.

Recommendation: The Organization should ensure that all reports required to be submitted under grant agreements are submitted by the stated due dates and that individuals responsible for completing and submitting those reports understand those requirements and the Organization's policies related to them.

Management's response: In order to comply with all reporting requirements timely, a new reminder schedule will be set up in the Organization's schedule management software. When a notice of award or grant agreement is received from the granting agency, the grants administrator will read the award or agreement and put all report due dates into the Organization's network appointment calendar. Reminders will be sent 15 and five days prior to the reporting deadlines to the director of planning and development and the program administrator, so all parties will be reminded of the upcoming reporting due date, providing them with ample time to prepare their respective portions of the report in advance of the report due date. All current award and agreement due dates will be likewise coordinated in the Organization's schedule management software by April 30, 2013.

Shasta Community Health Center, Inc.

Summary Schedule of Prior Audit Findings
Year Ended December 31, 2012

There were no uncorrected audit findings from prior reporting periods.