

**SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2014 AND 2013**

**SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.**  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Southern Illinois Healthcare Foundation, Inc.  
Sauget, Illinois

### Report on the Financial Statements

We have audited the accompanying financial statements of Southern Illinois Healthcare Foundation, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in unrestricted net assets and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### **Basis for Qualified Opinion**

The financial statements exclude Touchette Regional Hospital, a controlled affiliate of the Organization. In our opinion, accounting principles generally accepted in the United States of America require that all controlled entities be accounted for as consolidated affiliates. If the financial statements of Touchette Regional Hospital had been consolidated with those of the Organization, total assets and total liabilities would be increased by approximately \$26,316,000 and \$22,917,000, and \$13,738,000 and \$10,119,000 respectively, as of December 31, 2014 and 2013, respectively, and revenues and expenses would be increased by approximately \$56,923,000 and \$54,819,000, and \$57,407,000 and \$55,985,000, respectively, for the years then ended.

### **Qualified Opinion**

In our opinion, except for the effects of not consolidating the controlled affiliate, as discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Organization as of December 31, 2014 and 2013, and the results of its activities and changes in unrestricted net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Other Information – Schedule of Expenditures of Federal Awards*

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2015, 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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

St. Louis, Missouri  
May 20, 2015



<b>LIABILITIES AND NET ASSETS</b>	<u>2014</u>	<u>2013</u>
<b>CURRENT LIABILITIES</b>		
Lines of Credit	\$ 819,977	\$ 1,700,000
Current Portion of Long-Term Debt	662,666	1,063,043
Accounts Payable:		
Trade	1,514,689	1,612,517
Accrued Wages and Benefits	1,509,646	1,227,679
Accrued Compensated Absences	2,037,964	1,983,107
Deferred Grant Revenue	<u>767,719</u>	<u>317,093</u>
Total Current Liabilities	7,312,661	7,903,439
 <b>LONG-TERM DEBT, Less Current Maturities</b>	 4,604,388	 3,499,555
 <b>OTHER LONG-TERM LIABILITIES</b>	 <u>308,000</u>	 <u>308,000</u>
 Total Liabilities	 12,225,049	 11,710,994
 <b>NET ASSETS</b>		
Unrestricted Net Assets	<u>17,949,007</u>	<u>14,665,058</u>
 Total Liabilities and Net Assets	 <u><u>\$ 30,174,056</u></u>	 <u><u>\$ 26,376,052</u></u>

**SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
<b>REVENUE</b>		
Patient Service Revenue (net of contractual allowances, discounts and sliding fee adjustments)	\$ 42,403,902	\$ 38,221,732
Provision for Bad Debts	(2,007,762)	(1,414,300)
Net Patient Service Revenue	40,396,140	36,807,432
Federal Grant Funds	16,105,911	13,864,199
State and Other Grant Funds	657,435	3,210,547
Other Revenue	3,332,721	3,630,669
Interest Income	5,831	18,370
Total Revenue	60,498,038	57,531,217
<b>EXPENSES</b>		
Salaries and Wages	35,641,294	35,237,262
Employee Benefits	6,736,710	6,304,541
Contracted Services	8,381,565	11,809,267
Supplies	4,003,927	3,676,891
Travel	501,361	402,073
Other	530,428	407,551
Depreciation and Amortization	1,503,097	1,537,731
Interest	190,328	206,833
Total Expenses	57,488,710	59,582,149
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>	3,009,328	(2,050,932)
<b>CAPITAL GRANTS</b>		
Federal Funds:		
Capital Improvement Program	274,621	178,620
<b>INCREASE (DECREASE) IN NET ASSETS</b>	3,283,949	(1,872,312)
Net Assets - Beginning of Year	14,665,058	16,537,370
<b>NET ASSETS - END OF YEAR</b>	\$ 17,949,007	\$ 14,665,058

See accompanying Notes to Financial Statements.

**SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 3,283,949	\$ (1,872,312)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	1,503,097	1,537,731
Capital Grants	(274,621)	(178,620)
Loss on Disposal of Property and Equipment	-	26,748
Provision for Bad Debts	2,007,762	1,414,300
(Increase) Decrease in:		
Patients Accounts Receivable	(3,788,414)	(876,817)
Grants Receivable	225,125	(207,069)
Other Receivable	(373,481)	(151,681)
Prepaid Expenses and Other Current Assets	(25,207)	(34,704)
Increase (Decrease) in:		
Accounts Payable	(97,828)	(344,926)
Accrued Wages and Benefits	281,967	37,746
Accrued Compensated Absences	54,857	124,493
Deferred Grant Revenue	450,626	161,488
Net Cash Provided (Used) by Operating Activities	3,247,832	(363,623)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(1,534,351)	(1,441,612)
Change in Assets Limited as to Use	(17,071)	(17,777)
Change in Certificates of Deposit	200,000	(200,000)
Net Cash Used by Investing Activities	(1,351,422)	(1,659,389)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances on Line of Credit	819,977	2,500,000
Payments on Line of Credit	(1,700,000)	(800,000)
Payments on Long-Term Debt	(365,961)	(350,750)
Proceeds from Capital Lease	1,070,417	-
Cash Received for Capital Grants	292,269	467,282
Net Cash Provided (Used) by Financing Activities	116,702	1,816,532
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,013,112	(206,480)
Cash and Cash Equivalents - Beginning of Year	725,492	931,972
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,738,604	\$ 725,492
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Payments for Interest	\$ 190,328	\$ 206,833
Long-Term Debt Refinanced	\$ 756,325	\$ 630,142

See accompanying Notes to Financial Statements.

**SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Southern Illinois Healthcare Foundation, Inc. (the "Organization") is a Federally Qualified Health Center, with 30 locations throughout Southern Illinois. The Organization is dedicated to providing comprehensive primary health care services to residents of St. Clair, Madison, Fayette, Cumberland, Effingham, Macoupin, Marion, Coles and Richland counties in Illinois.

The Organization is governed by a volunteer Board of Directors, a group of local residents who lend their expertise in the areas of law, business, health care administration and as consumers. The Board also takes an active role in establishing the fee schedule and other policies used to manage the Organization. In addition to income generated from patient revenue, the Organization is partially funded by grants from the US Department of Health and Human Services, Illinois Department of Health and other agencies.

**Controlled Affiliate**

Effective May 1, 1993 the Organization's Board of Directors became the sole corporate member of the corporation known as Touchette Regional Hospital (TRH) as provided in the TRH Bylaws. The Organization and Touchette Regional Hospital are separate legal entities, however, the Organization's Board of Directors, as sole member, reserves certain high-level approval rights over TRH and as a result TRH is considered a controlled affiliate of the Organization. The Organization has not consolidated TRH's financial statements for the years ending December 31, 2014 and 2013.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. Actual results could differ from those estimates.

**Basis of Presentation**

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

**Unrestricted** – Net assets that are not subject to externally imposed restrictions.

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor restriction or by law.

**Cash and Cash Equivalents**

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding assets limited as to use.

**SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Patient Receivables**

Patient accounts receivable are stated at net realizable value. Receivables are reduced by an allowance for estimated third-party contractual adjustments and an allowance for estimated uncollectible amounts, which are based on past experience. The Organization provides care to patients regardless of their ability to pay. A minimum payment is requested at each visit, but if the patient is unable to pay at the time of visit, they are subsequently billed. All patient account balances receive a statement every 28 days. Patient account balances that are \$20 and less than 180 days old are automatically written off as small balance write-offs. Patient account balances that are \$20 or more and greater than 90 days old from the date that the balance became the patient's responsibility are sent a letter requesting payment. If after 2-3 weeks there has been no response, the account is sent to a collection agency and written off to bad debt expense. The allowance for uncollectible accounts was approximately 84% and 80%, of self-pay accounts receivable at December 31, 2014 and 2013, respectively. As of December 31, 2014 and 2013 the allowance for uncollectible accounts was approximately \$1,517,000 and \$726,000, respectively.

**Inventory**

Inventory is stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

**Assets Limited as to Use**

Assets limited as to use include restricted assets held under a letter of credit agreement and amounts restricted for a debt service reserve.

**Property and Equipment**

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method.

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. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

**Construction in Progress**

Construction in progress as of December 31, 2014 primarily consisted of renovation costs at Centreville Women's & Children's Center and Charleston Clinic. The projects are expected to be completed in October 2015 at an estimated cost of \$3,000,000 and financed by capital grants. Construction in progress as of December 31, 2013 primarily consisted of renovation costs at Weber Medical Clinic and Windsor Health Center.

**SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Patient Service Revenue**

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined rates per encounter, reimbursed costs, case rates, discounted charges, per diem payments, and enhancements. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors as final settlements are determined.

For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided. A significant portion of the Organization's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Organization records a significant provision for bad debts related to uninsured patients in the period the services are provided. The Organization also records provision a for doubtful accounts related to third-party payors for services provided.

**Sliding Fee Adjustments (Charity Care)**

The Organization has a policy of providing care to uninsured patients who meet certain criteria under its policy at amounts less than its established rates or without charge. However, all patients are requested to pay a minimum fee for each visit, although no patient is denied services because of inability to pay. Since management does not expect payment for this care, the services that are discounted from the established rates are excluded from revenue. During the years ended December 31, 2014 and 2013, the Organization provided approximately \$3,026,000 and \$6,211,000, respectively, of discounted services under this policy based on gross charges.

**Electronic Health Record Incentive Payments**

As discussed in Note 8, the Organization received funds under the Electronic Health Records (EHR) Incentive Program during 2014 and 2013. The Organization recognized revenue for payments received during the period. Going forward the Organization will recognize revenue when management is reasonably assured they will meet all meaningful use objectives and any other specific grant requirements that are applicable, e.g., electronic transmission of quality measures to CMS in the second and subsequent payment years is made.

**Grant Revenue**

The Organization receives support from various federal, state, and local government agencies. Grant receipts are subject to restrictions on the use of funds placed by the grantor. The Organization administers these funds in accordance with grantor guidelines. Grant revenue under cost reimbursement arrangements is recognized as expenses are incurred. Amounts incurred but not yet reimbursed are reported as grant receivables. Amounts received but not yet earned are reported as deferred grant revenue.

**SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Excess (Deficit) of Revenues Over Expenses**

The statement of activities includes excess (deficit) of revenues over expenses. Changes in unrestricted net assets which are excluded from operations, consistent with industry practice, include capital grants and contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purposes of acquiring such assets and the related releases).

**Income Taxes**

The Organization has been recognized as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization applies the income tax standard for uncertain tax positions. This standard clarifies the accounting for uncertainty in income taxes recognized in an Organization's financial statements in accordance with the income tax standard. This standard prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized.

The Organization's income tax returns are subject to review and examination by federal, state, and local authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes. The tax returns for the fiscal years 2011 to 2013 are open to examination by federal, local, and state authorities.

**Subsequent Events**

Subsequent events have been evaluated through May 20, 2015 which is the date the financial statements were available to be issued.

**NOTE 2 NET PATIENT SERVICE REVENUE**

The Organization has agreements with third-party payors that provide for payments at amounts different from its established charges. A summary of the payment arrangements with major third-party payors follows:

**Medicare**

Services rendered to Medicare program beneficiaries during 2014 in an office or home setting are paid at a CMS-established federal qualified health center (FQHC) all-inclusive rate (AIR), based on the Organization's prior year cost report. Regardless of the level or amount of services provided to the beneficiary during a single encounter, the Medicare allowable for the visit is the AIR. For each visit provided to a Medicare program beneficiary, the Organization is paid by CMS 80% of the established AIR, with the supplemental insurer and/or beneficiary being responsible for 20% of the total charges as co-insurance, if the beneficiary has Medicaid as secondary insurance (dual eligible), Medicaid will pay up to the difference between the Medicare AIR and the Medicaid AIR. In 2015, CMS will reimburse the Organization the lesser of 80% of the national FQHC Prospective Payment System base rate geographically adjusted or the visit charge, with the supplemental insurance/patient being responsible for 20% of the allowable charge.

**SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 2 NET PATIENT SERVICE REVENUE (CONTINUED)**

**Medicaid**

Services rendered to Medicaid program beneficiaries in 2014 were reimbursed at the all-inclusive rate (AIR) established by the Department of Healthcare and Family Services. The rate is updated annually by the Department.

**Other**

The Organization has also entered into payment agreements with Blue Cross and other commercial insurance carriers. The basis for reimbursement under these agreements includes discounts from established charges and prospectively determined rates.

**Uninsured**

For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, an increased portion of the Organization's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Organization records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Revenue from the Medicare and Medicaid programs accounted for approximately 67% and 62%, of the Organization's net patient revenue for the years ended December 31, 2014 and 2013, respectively. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

**NOTE 3 ASSETS LIMITED AS TO USE**

The composition of assets limited as to use at December 31, 2014 and 2013 is shown in the following table.

	2014	2013
Certificates of Deposit:		
Restricted for Letter of Credit Agreement	\$ 406,751	\$ 406,240
Restricted Under Debt Agreement	35,880	19,320
Total Assets Limited as to Use	\$ 442,631	\$ 425,560

**NOTE 4 LONG-TERM DEBT**

A summary of long-term debt at December 31, 2014 and 2013 follows:

Description	2014	2013
Loan Payable to a bank with interest at 3.75%, monthly payments of \$958, collateralized by a property at 2119 Iowa, Granite City, Illinois. A final payment estimated at \$40,779 is due on November 5, 2017 (refinanced during 2014).	\$ 67,331	\$ 73,831

**SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 4 LONG-TERM DEBT (CONTINUED)**

Description (Continued)	2014	2013
Loan Payable to a bank with interest at 3.94%, monthly payments of \$2,283 collateralized by a building at 7210 West Main Street Belleville, Illinois. A final payment estimated at \$210,289 is due on December 3, 2018 (refinanced during 2013)	\$ 277,216	\$ 294,360
Loan Payable to a bank with interest at 3.75%, monthly payments of \$4,509, collateralized by a building at 100 N. 8th St., East St. Louis, Illinois. A final payment estimated at \$577,619 is due on November 5, 2017 (refinanced during 2014).	662,090	682,494
Loan Payable to a bank with interest at 3.93%, monthly payments of \$2,292 collateralized by a building at 1275 Hawthorne Drive, Salem, Illinois. A final payment estimated at \$262,954 is due October 19, 2018 (refinanced during 2013).	320,339	335,782
Loan Payable to a bank with interest at 3.77%, monthly payment of \$13,675, collateralized by building at 6000 Bond Avenue, Centreville, Illinois, equipment and accounts receivable. A final payment due June 20, 2017.	390,507	537,863
Loan Payable to a bank with interest at 3.20%, monthly payments of \$1,986 collateralized by a building at 2900 Frank Scott Parkway West, Belleville, Illinois. A final payment estimated at \$239,930 is due October 16, 2017.	281,934	295,942
Loan Payable to United States Department of Agriculture (USDA) with interest at 3.50%, monthly payments of \$13,340, collateralized by a building at 1200 N. East St., Olney, Illinois, a final payment due October 15, 2032.	2,120,822	2,205,411
Notes Payable to medical office lessor with interest at 6%. During 2012, additional improvements were made, thereby increasing the notes payable by \$52,127, final payments due April, 1, 2018, monthly payment of \$2,010.	71,059	90,284
Notes Payable to medical office lessor with interest at 0%, final payment due January 31, 2017, monthly payment of \$972.	34,968	46,631
Capital lease obligation for equipment with annual payments of \$29,629, rate of imputed interest of 6.20%, final payment due December 31, 2017.	<u>1,040,788</u>	<u>-</u>
Total Long-Term Debt	5,267,054	4,562,598
Less: Current Maturities of Long-Term Debt	<u>(662,666)</u>	<u>(1,063,043)</u>
Long-Term Debt, Net of Current Maturities	<u>\$ 4,604,388</u>	<u>\$ 3,499,555</u>

**SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 4 LONG-TERM DEBT (CONTINUED)**

Scheduled principal repayments on long-term debt and total payments on capital lease obligations are as follows:

<u>Year Ending December 31,</u>	<u>Long-Term Debt</u>	<u>Capital Lease Obligations</u>
2015	\$ 357,504	\$ 355,550
2016	370,894	355,550
2017	570,419	432,962
2018	1,174,585	-
2019	100,312	-
Thereafter	<u>1,652,552</u>	-
Total	<u>\$ 4,226,266</u>	<u>1,144,062</u>
Less: Amounts Representing Interest on Obligations Under Capital Lease, Total		<u>(103,274)</u>
		<u>\$ 1,040,788</u>

**Debt Reserve**

The USDA loan requires that a debt reserve be established. The reserve requires monthly payments of \$1,380 until an amount of \$165,600 is accumulated. Accordingly, these funds are included as assets limited as to use in the financial statements.

**Line of Credit Agreement**

The Organization has a line of credit agreement with a bank in the amount of \$3,000,000. The line of credit is renewed each year in November. The present interest rate is prime plus 3.16%. The line of credit is secured by a lien on accounts receivable. The outstanding balance at December 31, 2014 and 2013 was \$819,977 and \$1,700,000, respectively.

**Covenants**

The provisions of the business loan agreement as it relates to the line of credit described above contain various restrictive covenants related to financial and operational matters and require certain measures of financial performance be satisfied. For the year ending December 31, 2013, the Organization was not in compliance with a financial covenant and as a result received a waiver related to this matter from the lender. Management believes they have complied with the requirements of the covenants as of December 31, 2014.

**NOTE 5 OPERATING LEASES**

The Organization leases clinic and office space and equipment under noncancelable operating leases expiring through 2027. The future minimum payments under these leases are:

<u>Years Ending December 31,</u>	<u>Clinic/Office Space</u>	<u>Office Equipment</u>
2015	\$ 923,386	\$ 94,282
2016	366,826	94,282
2017	271,945	93,674
2018	271,974	30,212
2019	150,382	-
Thereafter	<u>157,248</u>	-
Total	<u>\$ 2,141,761</u>	<u>\$ 312,450</u>

**SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 5 OPERATING LEASES (CONTINUED)**

The Organization also has leases on a month-to-month basis. For those leases there are no future minimum lease payments.

Total rent expense for the years ended December 31, 2014 and 2013, was approximately \$1,762,000 and \$1,493,000, respectively.

**NOTE 6 RELATED PARTY TRANSACTIONS**

**Shared Services Agreements**

The Organization and TRH maintain several agreements where the Organization performs certain services for TRH. For the years ending December 31, 2014 and 2013, the Organization received approximately \$541,000 and \$983,000, respectively, and had a current receivable of approximately \$223,000 and \$29,000, respectively, from TRH for services performed.

The Organization utilizes certain TRH services and personnel. For the years ending December 31, 2014 and 2013 the Organization reimbursed TRH approximately \$2,827,000 and \$4,814,000, respectively, for those services. Included in accounts payable at December 31, 2014 and 2013 are approximately \$155,000 and \$545,000, respectively, which represents amounts owed to TRH.

**Rental Agreements**

TRH rents space from the Organization in two locations. The Organization received approximately \$150,000 and \$141,000 in rental income during years ending December 31, 2014 and 2013.

**Grant Agreement**

During 2012 the Organization was awarded a \$4.6 million grant on behalf of TRH. During 2013, \$2.3 million was received and paid to TRH. Receipt and payment of the 2013 amount to TRH is included under State and Other Grant Funds and Contracted Services in the Statement of Activities for the year ending December 31, 2013.

**Other Long-Term Liability**

TRH deposited funds with the Organization which were used by the Organization to obtain a letter of credit, the TRH portion of which is \$308,000 at December 31, 2014 and 2013. The letter of credit acts as a guarantee of payment to certain third parties providing worker's compensation insurance coverage in accordance with specified terms and conditions. The letter of credit is secured by the assignment of certificates of deposit, held by the Organization, at December 31, 2014 and 2013. This amount is due to TRH and is presented as another long-term liability as there is no current plan for repayment to the TRH and the deposit is restricted.

**SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 7 RETIREMENT PLAN**

The Organization has a defined contribution pension plan. For the years ended December 31, 2014 and 2013 the Organization made contributions to the plan of approximately \$985,000 and \$976,000, respectively. The plan is available to any full-time or part-time employee after a half year of employment. For eligible participating employees who have completed one year of service, the Organization matches up to 4% of their salary.

**NOTE 8 ELECTRONIC HEALTH RECORD INCENTIVE PROGRAM**

The Electronic Health Record (EHR) incentive program was enacted as part of the American Recovery and Reinvestment Act of 2009 (ARRA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act. These Acts provided for incentive payments under both the Medicare and Medicaid programs to eligible hospital and providers that demonstrate meaningful use of certified EHR technology. The incentive payments are made based on a statutory formula and are contingent on the Organization continuing to meet the escalating meaningful use criteria. For the first payment year, the Organization must attest, subject to an audit, they have adopted, implemented, or upgraded certified EHR technology used in achieving meeting the meaningful use criteria.

For the subsequent payment year, the Organization must demonstrate meaningful use for the entire year. The incentive payments are generally made over a six year period.

The Organization received incentive payments of approximately \$633,000 and \$740,000 for the years ended December 31, 2014 and 2013, respectively, which are included in other operating revenues.

**NOTE 9 SELF-FUNDED HEALTH INSURANCE PLAN**

The Organization maintains a self-funded health insurance plan that is administered by a third-party administrator who recommends current funding under the plan. At December 31, 2014 and 2013, the Organization has estimated a liability of approximately \$218,000 and \$200,000 for incurred but unreported claims included in accrued wages and benefits on the accompanying statement of financial position, respectively. The Organization has recognized approximately \$3,271,000 and \$3,245,000 in total employer health insurance expenses for the years ended December 31, 2014 and 2013, respectively.

**NOTE 10 FUNCTIONAL EXPENSES**

The Organization provides health care services to residents within its geographic location. Expenses related to providing these services by functional class for the years ended December 31, 2014 and 2013 are estimated to be:

	2014	2013
Program Services	\$ 48,423,263	\$ 49,147,230
Supporting Services	9,065,447	10,434,919
	\$ 57,488,710	\$ 59,582,149

**SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 11 SIGNIFICANT CONCENTRATIONS AND CREDIT RISK**

**Government Funding**

Over 70% of the Organization's revenues for the year ending December 31, 2014 and 2013, were generated from either government sponsored health programs or government funded grant programs. The programs are dependent upon continued funding from these government agencies and the legislative acts that impact the programs.

**Net Patient Receivables**

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors at December 31, 2014 and 2013, is:

	2014	2013
Medicare	13 %	15 %
Medicaid	63	44
Self Pay	11	9
Other Third-Party Payors	13	32
Total	100 %	100 %

**FDIC Coverage**

The Organization maintains cash balances at several financial institutions. FDIC insurance coverage is \$250,000 for all accounts at a financial institution. At times, cash balances may have been in excess of insured limits.

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

**Medical Malpractice Insurance Coverage and Claims**

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

**Grants**

The Organization has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a review or audit by the grantor may become a liability of the Organization. Such amounts will be recognized in the period they become known.

**Risk Management**

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

**SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Healthcare Legislation and Regulation**

The healthcare 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 healthcare program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violation of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

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

**Litigation**

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

**NOTE 13 FUTURE OPERATIONS**

For the years ended December 31, 2014 and 2013, the Organization sustained a gain of approximately \$3,009,000 and losses of approximately \$2,051,000, respectively.

Management has identified the following items impacting working capital and operations in future years:

- Positive continued impact from expansion of Medicaid in the State of Illinois.
- The 2015 volumes are expected to increase by 2.2% due to increase in dental encounters, new behavioral health providers and a new provider at the Millstadt site.
- The new Medicare PPS reimbursement methodology will provide a positive increase in net revenue of approximately \$300,000.
- Through AthenaHealth's enhanced revenue cycle capabilities, net revenue is projected to increase by approximately \$200,000. In addition, AthenaHealth will provide the opportunity to restructure some support functions. This restructuring is estimated to reduce salary expense by approximately \$302,000 during 2015.
- The 330 Grant funding increased by approximately \$700,000 to provide funding for Expanded Medical Capacity, Behavioral Health Integration and QI Supplement.

Management believes that these items will have a positive impact on the overall financial results and working capital of the Organization in the near term.

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

Board of Directors  
Southern Illinois Healthcare Foundation, Inc.  
Sauget, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southern Illinois Healthcare Foundation, Inc., (the "Organization"), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in unrestricted net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 20, 2015.

**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 opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 Audit Findings and Questioned Costs, 2014-001 to be a material weakness.

**Internal Control over Financial Reporting (Continued)**

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 Audit Findings and Questioned Costs, 2014-002 to be a significant deficiency.

**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*.

**The Organization’s Response to Findings**

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

**Purpose of this Report**

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



**CliftonLarsonAllen LLP**

St. Louis, Missouri  
May 20, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors  
Southern Illinois Healthcare Foundation, Inc.  
Sauget, Illinois

***Report on Compliance for Each Major Federal Program***

We have audited the Southern Illinois Healthcare Foundation, Inc.'s, (the "Organization"), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2014. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of audit 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.

***Auditors' Responsibility***

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

***Opinion on Each 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 each of its major federal programs for the year ended December 31, 2014.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of audit findings and questioned costs as item 2014-003. Our opinion on each major federal program is not modified with respect to these matters.

The Organization's response to the noncompliance finding identified in our audit is described in the accompanying schedule of audit 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

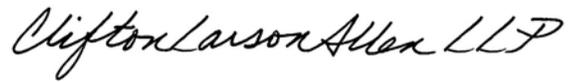
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses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

*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 deficiency in internal control over compliance described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2014-003 to be a material weakness.

The Organization's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of audit 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.

Board of Directors  
Southern Illinois Healthcare Foundation, Inc.

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

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

**CliftonLarsonAllen LLP**

St. Louis, Missouri  
May 20, 2015

**SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2014**

**SECTION 1 SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Modified

Internal control over financial reporting:

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.224	Consolidated Health Centers
93.926	Eliminating Disparities in Perinatal Health
93.918	Ryan White Grants to Provide Outpatient Early Intervention Services
93.525	Cooperative Agreement to Support Establishment of Affordable Care Act's Health Insurance Exchanges

Dollar threshold used to distinguish between type A and type B programs: \$492,589

Auditee qualified as low-risk auditee?   yes  X  no

**SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2014**

**SECTION II FINANCIAL STATEMENT FINDINGS**

**2014-001 MISSTATEMENT CORRECTED**

**Condition**

Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. Included in this is the responsibility to adjust the financial statements to correct misstatements in order to ensure accuracy and completeness of all financial records.

**Criteria**

It is the responsibility of management to adjust the financial statements to correct misstatements in order to ensure accuracy and completeness of all financial records.

**Effect**

During the performance of the audit engagement procedures, Management proposed an adjusting journal entry to correct the accounts payable general ledger balance. The overall impact of posting the adjusting journal entry increased the excess of revenue over expenses by approximately \$349,000.

**Cause**

The accounts payable reconciliation process did not identify that previous monthly manual accruals had not been reversed out as of December 31, 2014.

**Recommendation**

We recommend reviewing the processes in place for reconciling accounts payable.

**Management's Response**

During 2014, management worked closely with our Great Plains consultant to correct the Accounts Payable reporting issues. Through this process it was determined by management that several accruals had not been reversed from previous months. The adjusting entries were proposed and provided to the auditors during field work. System and process changes were implemented in January 2015 including the creation of a separate GL account for manual accruals. The month end closing process now includes running the Accounts Payable Historical Trial Balance for reconciliation to the Accounts Payable ledger balance, as well as reconciling the new Accrued Liabilities account balance to the manual accruals.

**SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2014**

**2014-002 SEGREGATION OF DUTIES**

**Condition**

We noted during testing and review of the Organization's internal controls that there is a lack of segregation of duties over certain processes. A lack of segregation occurs when there is an individual who has responsibility to execute a transaction, has physical access to the related asset, and has responsibility or authority to record the transaction.

We noted lack of segregation of duties, to various degrees, in the following area:

- Cash Receipts - In some instances individuals at clinic locations have access to patient cash payments and have access to post payments and adjustments in the system. While mitigating controls do exist we recommend that the Organization work with the software vendor to remove the ability to post adjustments to patient accounts or continue to consider other mitigating review procedures.

**Criteria**

Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

**Effect**

Controls are not in place to prevent or detect errors for these transaction.

**Cause**

Process flows and control processes are not designed to provide for proper segregation of duties in each area.

**Recommendation**

We recommend that the Organization continue to segregate duties as best it can within the limits of what the Organization considers to be cost beneficial and to review current procedures as staffing levels change.

**SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2014**

**2014-002 SEGREGATION OF DUTIES (CONTINUED)**

**Management's Response**

SIHF is deploying a lean six sigma structure to document the workflows and the fiscal policies surrounding the new practice management system, AthenaHealth, implemented in November 2014. Currently, this new practice management system has provided the following factors that mitigate the potential risk:

- Each user is assigned individual logins in Athena allowing for proper posting/audit tracking by user.
- A receipt is prepared for every payment and given to the patient.
- The system requires individual end of day reconciliation processes which includes collections, batch postings and deposit reconciliation.
- End of day reconciliations are collected, reviewed and approved by the Health Center Manager, team lead, or designated person
- End of day reconciliations, batch listings, and deposit receipts are forwarded to the Finance Department.

In addition, Management will create a report listing adjustments performed for each site by user. As the workflows are reviewed, Management will implement a process for the CBO to audit these reports ensuring the adjustments are appropriate and proper personnel are performing this role. This report and process will be completed by September 30, 2015.

**SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2014**

**SECTION III FEDERAL AWARD FINDINGS**

**2014-003 PROGRAM INCOME REQUIREMENT**

Federal Agency: US Department of Health and Human Services  
Program Title: Consolidated Health Centers  
CFDA Number: 93.224  
Award Number: H80CS00195  
Award Period: January 1, 2014 to December 31, 2014

**Condition**

For a sample of 60 sliding fee discounts tested, we identified the following:

- Seven sliding fee discounts were applied with no affidavit or support for income verification in the patient file.
- Four sliding fee discounts were applied based on an affidavit that was greater than 12 months old.
- Seven sliding fee discounts were incorrectly applied due to an error in calculating the patient's income.

**Criteria**

As required by 42 United States Code (USC) Part 254, the Organization must prepare and maintain a schedule of fees or payments for the provision of its services with a discount schedule applied according to the patient's ability to pay as determined by the US Department of Health and Human Services official poverty guidelines.

**Effect**

The Organization's application of the sliding fee discounts could have inadvertently under or over charged eligible patients.

**Cause**

The Organizations processes and policies are inconsistently applied from site to site.

**Questioned Costs**

None

**Recommendation**

The Organization has focused efforts in providing training of sliding fees at all locations and applicable personnel. The effects of this continued training is apparent at sites that have been visited in succeeding years (i.e. 2013 and 2014), as these locations experienced an overall reduction in findings. We recommend the Organization continue to review the policies and processes for providing sliding fee adjustments to patients and continue to provide the necessary training. We would also recommend the Organization consider the review of patient sliding fee eligibility as part of the Organization's ongoing quality control monitoring.

**SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2014**

**2014-003 PROGRAM INCOME REQUIREMENT (CONTINUED)**

**Management's Response**

In 2013 and 2014, Southern Illinois Healthcare Foundation (SIHF) implemented processes to re-train all front desk and patient registration staff on income evaluation. In November 2014, SIHF converted to a new electronic medical record system, AthenaHealth, which has simplified and standardized the entry of the sliding fee data elements. AthenaHealth has fewer fields to complete, a bi-weekly income option (most common payroll cycle), date entry/sliding fee calculation functionality, display of fee due as well as a pop-up option to apply the slide discount to past and future appointments. The simplicity and automation of the new EMR will reduce data entry and computation errors related to eligibility determination, amount of fee due and effective/expiration dates. Sliding Fee documentation is scanned into the electronic patient chart to facilitate audits. SIHF will participate in an Athena Beta test product starting in Q2 of 2015 that will automatically check for Medicare and Medicaid eligibility for Self Pay patients. In conjunction with the new technology, SIHF is creating a new teaching structure that will enhance the Health Informatics reporting. The Central Billing Office will work in conjunction with this effort to improve the process and require proper audit controls are implemented and performed. Once this structure has been completed, the Sliding Fee policy will be appropriately updated. The new structure and updated policy will be completed by October 31, 2015.

**SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**YEAR ENDED DECEMBER 31, 2013**

**SECTION IV SCHEDULE OF PRIOR FINDING**

**2013-002 PROGRAM INCOME REQUIREMENT**

Federal Agency: US Department of Health and Human Services  
Program Title: Consolidated Health Centers  
CFDA Number: 93.224  
Award Number: H80CS00195  
Award Period: January 1, 2013 to December 31, 2013

**Condition**

For a sample of 55 sliding fee discounts tested, we identified the following:

- Fifteen sliding fee discounts were applied with no affidavit or support for income verification in the patient file.
- A sliding fee discount was applied based on an affidavit that was greater than 12 months old.
- A sliding fee discount was applied to a patient that was deemed to be eligible for Medicaid. Medicaid coverage was retroactively approved and applied subsequent to year end.
- Unable to perform income verification calculation on a sliding fee encounter due to lack of information maintained in patient file.
- A sliding fee discount was incorrectly applied due to an error in calculating the patient's income.

**Criteria**

As required by 42 United States Code (USC) Part 254, the Organization must prepare and maintain a schedule of fees or payments for the provision of its services with a discount schedule applied according to the patient's ability to pay as determined by the US Department of Health and Human Services official poverty guidelines.

**Effect**

The Organization's application of the sliding fee discounts could have inadvertently under or over charged eligible patients.

**Cause**

The Organizations processes and policies are inconsistently applied from site to site.

**Questioned Costs**

None

**Recommendation**

We recommend the Organization review policies and processes for providing sliding fee adjustments to patients and provide additional training. We would also recommend the Organization consider the review of patient sliding fee eligibility as part of the Organization's ongoing quality control monitoring.

**Status**

See finding 2014-003.

**SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2014**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency/ Pass-through Identifying Number	Federal Disbursements/ Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b><u>Direct Programs:</u></b>			
* Consolidated Health Centers	93.224	H80CS00195	\$ 12,913,125
* Eliminating Disparities in Perinatal Health (Healthy Start Initiative)	93.926	H49MC00049	449,289
* Eliminating Disparities in Perinatal Health (Healthy Start Initiative)	93.926	H49MC00049	163,668
* Eliminating Disparities in Perinatal Health(Healthy Start Initiative)	93.926	14H49MC00049	158,555
* Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00579	209,171
* Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	14H76HA00579	373,199
Capital Development	93.526	C8BCS23945	274,621
Cooperative Agreement to Support Navigators in Federally-Facilitated and State Partnership Exchanges	93.750	NAVCA130085	122,006
Cooperative Agreement to Support Navigators in Federally-Facilitated and State Partnership Exchanges	93.750	NAVCA0181A	164,000
<b><u>Pass-through programs from:</u></b>			
<b><i>Illinois Department of Public Health:</i></b>			
Family Planning Services Program	93.994	46080081B	120,913
Family Planning Services Program	93.994	46080081B	233,034
HIV Prevention	93.940		57,360
<b><i>IL Public Health Association:</i></b>			
Regional Implementation Grant	93.944	14-140-05	37,588
<b><i>State of Illinois Department of Public Health:</i></b>			
* Cooperative Agreement to Support Establishment of Affordable Care Act's Health Insurance Exchanges	93.525	1 HBEIE130158-01-0	339,367
* Cooperative Agreement to Support Establishment of Affordable Care Act's Health Insurance Exchanges	93.525	1 HBEIE130158-01-0	288,373
<b><i>St. Clair County Health Department:</i></b>			
Ryan White Part B Case Management	93.917	14-60-3	75,426
Ryan White Part B Case Management	93.917	35780050A	27,703
Ryan White Part B Specialty Medical	93.917	35780050A	3,304
Ryan White Part B Transportation	93.917	14-60-24	1,000
Ryan White Part B Transportation	93.917	35780050A	820
Ryan White Part B Food Vouchers	93.917	14-60-16	4,599
Ryan White Part B Food Vouchers	93.917	35780050A	1,500
Ryan White Part A Case Management	93.914	14-41-3	42,142
Ryan White Part A Case Management	93.914	13-21	7,800
Ryan White Part A -Specialty-Medical Diagnostic Services	93.914	14-41-5	3,623
Ryan White Part A Drug Reimbursement	93.914	14-41-6	4,038
Ryan White Part A Drug Reimbursement	93.914	13-21	5,439
<b><i>Various Regional/County Health Departments:</i></b>			
Illinois Breast & Cervical Cancer	93.283	FY14	23,989
Illinois Breast & Cervical Cancer	93.283	FY15	15,111
<b><i>City of St. Louis Department of Public Health:</i></b>			
Linkage to Care STL	93.914	14-48	21,247
Linkage to Care STL	93.914	13-15	16,035

**SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2014**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency/ Pass-through Identifying Number</u>	<u>Federal Disbursements/ Expenditures</u>
<b><i>Northern Illinois University:</i></b>			
Health Information Technology Regional Extension Centers Program: ILTREC Technical Assistance - ARRA	93.718	90RC0023101	146,100
<b><i>Public Health Institute of Metropolitan Chicago:</i></b>			
Care and Prevention in the United States (CAPUS):	93.94	FY14	89,058
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<b><u>Pass-through programs from:</u></b>			
<b><i>Illinois Criminal Justice Information Authority:</i></b>			
Downstate Victims of Violent Crime (VOCA)	16.575	211313	<u>26,429</u>
Total Federal Awards			<u>\$ 16,419,632</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

This schedule includes the federal grant activity of Southern Illinois Healthcare Foundation, Inc. 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 Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

\* Major Federal program