

**FAMILY HEALTH CENTERS OF
SOUTHWEST FLORIDA, INC.**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION TOGETHER WITH
REPORTS OF INDEPENDENT AUDITOR**

**YEARS ENDED
DECEMBER 31, 2010 AND 2009**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Family Health Centers of Southwest Florida, Inc.
2256 Heitman Street
Fort Myers, Florida 33901

We have audited the accompanying statements of financial position of Family Health Centers of Southwest Florida, Inc. (a not-for-profit organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Family Health Centers of Southwest Florida, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Health Centers of Southwest Florida, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2011, on our consideration of Family Health Centers of Southwest Florida, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of

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Board of Directors
Family Health Centers of
Southwest Florida, Inc.
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laws, regulations, contracts, grants 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 when assessing the results of our audits.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Family Health Centers of Southwest Florida, Inc. taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance for the year ended December 31, 2010, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," the Florida Single Audit Act (Florida Statute 215.97) and State of Florida Auditor General Rule 10.650, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



TUSCAN & COMPANY, P.A.
Fort Myers, Florida
March 25, 2011

FAMILY HEALTH CENTERS OF SOUTHWEST FLORIDA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

ASSETS	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash and cash equivalents (including restricted cash of \$827,926 and \$39,364, respectively)	\$ 9,734,063	\$ 4,100,837
Investments	-	517,103
Patient receivables, net	86,648	121,569
Grant receivables	1,528,220	751,838
Other receivables	29,297	278,586
Inventory	21,759	19,948
Prepays and deposits	<u>102,616</u>	<u>95,322</u>
TOTAL CURRENT ASSETS	11,502,603	5,885,203
ASSETS HELD IN TRUST	82,416	78,009
INVESTMENT IN LLC	467,400	467,400
PROPERTY AND EQUIPMENT, NET	<u>4,363,772</u>	<u>4,361,586</u>
TOTAL ASSETS	<u>\$ 16,416,191</u>	<u>\$ 10,792,198</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 287,930	\$ 883,934
Accrued liabilities	1,743,973	1,086,239
Deferred revenue - federal and state grants	1,479,763	-
Deferred revenue - local grants and contracts	120,676	39,364
Line of credit	-	-
Current portion of long-term debt	<u>111,593</u>	<u>37,778</u>
TOTAL CURRENT LIABILITIES	3,743,935	2,047,315
DEFERRED COMPENSATION	82,416	78,009
LONG-TERM DEBT, NET OF CURRENT PORTION	359,195	728,065
COMMITMENTS AND CONTINGENCIES	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>4,185,546</u>	<u>2,853,389</u>
NET ASSETS		
Unrestricted	<u>12,230,645</u>	<u>7,938,809</u>
TOTAL NET ASSETS	<u>12,230,645</u>	<u>7,938,809</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,416,191</u>	<u>\$ 10,792,198</u>

The accompanying notes are an integral part of this statement.

FAMILY HEALTH CENTERS OF SOUTHWEST FLORIDA, INC.
STATEMENTS OF ACTIVITIES
Years ended December 31, 2010 and 2009

	2010		
	Unrestricted	Temporarily Restricted	Total
CHANGES IN NET ASSETS			
SUPPORT AND REVENUE			
Federal and state grants	\$ -	\$ 9,235,454	\$ 9,235,454
Medicaid, net	-	17,775,158	17,775,158
Medicare, net	379,867	-	379,867
Patient fees, net (including third party insurance)	2,978,070	-	2,978,070
Donations	66,951	-	66,951
Interest income	128,077	-	128,077
Loss on sale of assets	(35,038)	-	(35,038)
Other income	98,188	887,304	985,492
	<u>3,616,115</u>	<u>27,897,916</u>	<u>31,514,031</u>
TOTAL SUPPORT AND REVENUE			
Net Assets Released from Restrictions	<u>27,897,916</u>	<u>(27,897,916)</u>	<u>-</u>
TOTAL	<u>31,514,031</u>	<u>-</u>	<u>31,514,031</u>
EXPENSES			
Program services	23,181,675	-	23,181,675
Supporting services	4,040,520	-	4,040,520
	<u>27,222,195</u>	<u>-</u>	<u>27,222,195</u>
TOTAL EXPENSES			
INCREASE IN NET ASSETS	4,291,836	-	4,291,836
NET ASSETS, BEGINNING OF YEAR	<u>7,938,809</u>	<u>-</u>	<u>7,938,809</u>
NET ASSETS, END OF YEAR	<u>\$ 12,230,645</u>	<u>\$ -</u>	<u>\$ 12,230,645</u>

The accompanying notes are an integral part of this statement.

2009		
Unrestricted	Temporarily Restricted	Total
\$ -	\$ 8,269,127	\$ 8,269,127
-	14,858,446	14,858,446
374,159	-	374,159
3,121,659	-	3,121,659
57,340	-	57,340
42,919	-	42,919
-	-	-
<u>218,441</u>	<u>891,731</u>	<u>1,110,172</u>
3,814,518	24,019,304	27,833,822
<u>24,019,304</u>	<u>(24,019,304)</u>	<u>-</u>
<u>27,833,822</u>	<u>-</u>	<u>27,833,822</u>
21,579,365	-	21,579,365
<u>4,515,559</u>	<u>-</u>	<u>4,515,559</u>
<u>26,094,924</u>	<u>-</u>	<u>26,094,924</u>
1,738,898	-	1,738,898
<u>6,199,911</u>	<u>-</u>	<u>6,199,911</u>
<u>\$ 7,938,809</u>	<u>\$ -</u>	<u>\$ 7,938,809</u>

The accompanying notes are an integral part of this statement.

FAMILY HEALTH CENTERS OF SOUTHWEST FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2010

FUNCTIONAL EXPENSES	PROGRAM SERVICES					
	Medical	Women Breast Screening	Dental	X-Ray	Laboratory	Pharmacy
Salaries	\$ 6,928,652	\$ -	\$ 4,225,316	\$ 34,445	\$ 63,150	\$ 332,988
Fringe benefits	1,569,410	-	962,822	6,884	30,832	61,137
Contracted services	288,822	29,541	294,974	100,205	(8,500)	536
Supplies	430,565	234	733,347	134	13,251	84,271
Insurance	-	-	-	-	-	-
Rent/rental	71,285	-	48,182	3,527	1,945	3,331
Repairs and maintenance	164,354	-	149,002	2,340	3,579	7,913
Capital items < \$5,000	-	-	258,327	-	-	-
Utilities	9,139	-	31	-	-	-
Telecommunications	35,989	-	14,767	-	-	766
Travel	12,210	-	10,158	-	-	-
Interest	-	-	-	-	-	-
Dues and fees	11,718	-	3,667	-	330	1,837
Training	54,334	-	12,749	-	-	887
Security service	7	-	(980)	-	-	-
Advertising	-	-	-	-	-	-
Printing and publication	27,839	-	15,734	-	123	2
Recruitment	-	-	-	-	-	-
Postage and freight	-	-	23	-	-	-
Marketing	272	-	-	-	-	-
Other	4,880	-	-	-	-	-
Professional fees	-	-	-	-	-	-
Bank fees	-	-	-	-	-	-
Board of Directors	-	-	-	-	-	-
	<u>9,609,476</u>	<u>29,775</u>	<u>6,728,119</u>	<u>147,535</u>	<u>104,710</u>	<u>493,668</u>
Depreciation and amortization	<u>72,451</u>	<u>-</u>	<u>113,758</u>	<u>2,915</u>	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u>\$ 9,681,927</u>	<u>\$ 29,775</u>	<u>\$ 6,841,877</u>	<u>\$ 150,450</u>	<u>\$ 104,710</u>	<u>\$ 493,668</u>

The accompanying notes are an integral part of this statement.

PROGRAM SERVICES					Total	SUPPORTING SERVICES	
Social Service	Disease Management	Transportation	Medical Records/ Patient Accounts	Occupancy & Maintenance	Program Expenses	Admin.	Total Expenses
\$ 326,034	\$ 111,780	\$ -	\$ 946,832	\$ -	\$ 12,969,197	\$ 2,515,903	\$ 15,485,100
64,146	22,991	-	187,026	4,701	2,909,949	595,668	3,505,617
70,416	12,886	-	1,447,072	260	2,236,212	134,962	2,371,174
9,122	818	698	15,706	19,816	1,307,962	64,274	1,372,236
4,044	-	-	-	76,183	80,227	29,186	109,413
3,680	-	-	12,616	803,435	948,001	51,360	999,361
6,454	-	2,723	25,610	438,299	800,274	30,383	830,657
-	-	-	-	-	258,327	-	258,327
-	-	-	-	217,064	226,234	13,169	239,403
3,592	-	-	4,826	290,300	350,240	48,683	398,923
2,876	3,459	-	9,084	24	37,811	34,744	72,555
-	-	-	-	-	-	39,281	39,281
460	354	-	-	12,354	30,720	59,477	90,197
1,811	1,709	-	172	-	71,662	32,233	103,895
-	-	-	-	202,944	201,971	-	201,971
-	-	-	-	-	-	104,232	104,232
299	100	-	4,149	348	48,594	17,459	66,053
-	-	-	-	-	-	42,311	42,311
-	-	-	735	-	758	29,899	30,657
-	-	-	-	-	272	1,352	1,624
1,056	-	-	-	256	6,192	29,066	35,258
-	-	-	-	-	-	70,617	70,617
-	-	-	-	-	-	86,968	86,968
-	-	-	-	-	-	-	-
493,990	154,097	3,421	2,653,828	2,065,984	22,484,603	4,031,227	26,515,830
-	-	-	213	507,735	697,072	9,293	706,365
<u>\$ 493,990</u>	<u>\$ 154,097</u>	<u>\$ 3,421</u>	<u>\$ 2,654,041</u>	<u>\$ 2,573,719</u>	<u>\$ 23,181,675</u>	<u>\$ 4,040,520</u>	<u>\$ 27,222,195</u>

The accompanying notes are an integral part of this statement.

FAMILY HEALTH CENTERS OF SOUTHWEST FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2009

	PROGRAM SERVICES					
	Medical	Women Breast Screening	Dental	X-Ray	Laboratory	Pharmacy
FUNCTIONAL EXPENSES						
Salaries	\$ 6,960,324	\$ -	\$ 3,127,157	\$ 32,191	\$ 64,515	\$ 329,620
Fringe benefits	1,506,272	-	682,665	6,556	13,092	73,418
Contracted services	355,260	69,168	186,094	111,262	(2,699)	2,492
Supplies	432,117	-	710,774	1,816	8,358	94,686
Insurance	-	-	-	-	-	-
Rent/rental	151,217	-	20,835	1,586	1,669	1,506
Repairs and maintenance	169,446	-	152,269	5,444	1,927	17,700
Utilities	9,045	-	2,759	-	-	-
Telecommunications	23,921	-	942	-	-	515
Travel	9,922	-	10,126	-	(417)	2,842
Interest	-	-	-	-	-	-
Dues and fees	17,248	-	10,115	-	-	1,105
Training	44,065	-	10,513	-	-	250
Security service	-	-	1,301	-	-	-
Advertising	5,000	-	-	-	-	-
Printing and publication	31,797	132	16,598	40	236	443
Recruitment	-	-	-	-	-	-
Postage and freight	761	-	-	-	-	131
Marketing	-	-	-	-	-	-
Other	(119)	-	-	-	-	-
Professional fees	-	-	-	-	-	-
Bank fees	-	-	-	-	-	-
Board of Directors	-	-	-	-	-	-
	<u>9,716,276</u>	<u>69,300</u>	<u>4,932,148</u>	<u>158,895</u>	<u>86,681</u>	<u>524,708</u>
Depreciation and amortization	<u>60,178</u>	<u>-</u>	<u>93,204</u>	<u>2,915</u>	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u>\$ 9,776,454</u>	<u>\$ 69,300</u>	<u>\$ 5,025,352</u>	<u>\$ 161,810</u>	<u>\$ 86,681</u>	<u>\$ 524,708</u>

The accompanying notes are an integral part of this statement.

PROGRAM SERVICES					Total	SUPPORTING SERVICES	
Social Service	Disease Management	Transportation	Medical Records/ Patient Accounts	Occupancy & Maintenance	Program Expenses	Admin.	Total Expenses
\$ 338,676	\$ 110,734	\$ -	\$ 906,670	\$ -	\$ 11,869,887	\$ 2,650,395	\$ 14,520,282
72,867	21,838	-	182,995	2,734	2,562,437	629,724	3,192,161
118,949	11,519	60	1,535,772	85	2,387,962	143,644	2,531,606
7,616	596	636	16,944	21,670	1,295,213	64,796	1,360,009
138	-	-	-	86,596	86,734	17,024	103,758
1,546	-	-	7,612	767,850	953,821	60,777	1,014,598
3,837	950	8,136	36,838	448,171	844,718	90,191	934,909
-	-	-	-	237,134	248,938	18,205	267,143
3,294	-	-	3,150	220,718	252,540	46,503	299,043
5,558	4,788	-	12,851	653	46,323	53,974	100,297
-	-	-	-	16,413	16,413	55,979	72,392
235	125	-	-	4,821	33,649	68,399	102,048
3,279	5,777	-	2,429	518	66,831	126,116	192,947
-	-	-	-	244,812	246,113	-	246,113
-	-	-	-	-	5,000	99,051	104,051
1,833	97	-	4,752	29	55,957	18,439	74,396
-	-	-	-	-	-	13,165	13,165
-	-	-	483	23	1,398	9,164	10,562
-	-	-	-	-	-	328	328
14	-	-	-	174	69	31,073	31,142
-	-	-	-	-	-	205,910	205,910
-	-	-	-	-	-	84,356	84,356
-	-	-	-	-	-	403	403
557,842	156,424	8,832	2,710,496	2,052,401	20,974,003	4,487,616	25,461,619
-	-	-	1,280	447,785	605,362	27,943	633,305
<u>\$ 557,842</u>	<u>\$ 156,424</u>	<u>\$ 8,832</u>	<u>\$ 2,711,776</u>	<u>\$ 2,500,186</u>	<u>\$ 21,579,365</u>	<u>\$ 4,515,559</u>	<u>\$ 26,094,924</u>

The accompanying notes are an integral part of this statement.

FAMILY HEALTH CENTERS OF SOUTHWEST FLORIDA, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM		
OPERATING ACTIVITIES		
Cash received from grants, donors, customers and other operating activities	\$ 32,439,872	\$ 27,609,385
Cash paid to suppliers and employees	(26,373,901)	(24,741,193)
Interest paid	(39,281)	(72,392)
Interest received	<u>121,361</u>	<u>25,816</u>
NET CASH PROVIDED BY		
OPERATING ACTIVITIES	<u>6,148,051</u>	<u>2,821,616</u>
CASH FLOWS FROM		
INVESTING ACTIVITIES		
Cash paid for investment in LLC	-	(100,000)
Cash received from maturity of certificate of deposit	523,819	-
Payments for property and equipment	<u>(743,589)</u>	<u>(129,715)</u>
NET CASH USED IN		
INVESTING ACTIVITIES	<u>(219,770)</u>	<u>(229,715)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of principal on long-term debt	(502,212)	(258,729)
Proceeds from issuance of long-term debt	207,157	-
Repayments of principal on short-term vehicle loan	-	(2,986)
Proceeds from line of credit borrowings	-	-
Repayments of line of credit borrowings	<u>-</u>	<u>-</u>
NET CASH USED IN		
FINANCING ACTIVITIES	<u>(295,055)</u>	<u>(261,715)</u>
NET INCREASE IN CASH	5,633,226	2,330,186
CASH, BEGINNING OF YEAR	<u>4,100,837</u>	<u>1,770,651</u>
CASH, END OF YEAR	<u>\$ 9,734,063</u>	<u>\$ 4,100,837</u>

The accompanying notes are an integral part of this statement.

**RECONCILIATION OF INCREASE
IN NET ASSETS TO NET CASH PROVIDED
BY OPERATING ACTIVITIES**

	<u>2010</u>	<u>2009</u>
Increase in net assets	\$ 4,291,836	\$ 1,738,898
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	706,365	633,305
Interest income on investments	(6,716)	(17,103)
Loss on sale/disposal of assets	35,038	-
(Increase) decrease in patient receivables, net	34,921	180,519
(Increase) decrease in grant receivables	(776,382)	(196,307)
(Increase) decrease in other receivables	249,289	(111,261)
(Increase) decrease in inventory	(1,811)	7,218
(Increase) decrease in prepaids and deposits	(7,294)	37,054
Increase (decrease) in accounts payable	(596,004)	463,068
Increase (decrease) in accrued liabilities	657,734	91,408
Increase (decrease) in deferred revenue	<u>1,561,075</u>	<u>(5,183)</u>
	<u>1,856,215</u>	<u>1,082,718</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 6,148,051</u>	<u>\$ 2,821,616</u>

NON-CASH TRANSACTIONS

Family Health Centers also received donated office space in the amount of \$50,023 and \$49,286 for the years ended December 31, 2010 and 2009, respectively.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Family Health Centers of Southwest Florida, Inc. (Family Health Centers) is a not-for-profit corporation established to provide comprehensive primary and preventive health care services in Lee, Hendry and Charlotte Counties. Specifically, the primary purpose of Family Health Centers is to provide available, accessible, and affordable quality health care to anyone seeking these services. The services are available to the general public but are substantially utilized by those qualified under the various "low income" standards and by domestic, agricultural, migrant and seasonal workers, most of whom are disadvantaged. Charges for services are based upon a patient's ability to pay in accordance with federal guidelines.

The following is a summary of the significant accounting policies used in the preparation of these financial statements:

Basis of accounting

Family Health Centers prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Financial statement presentation

The accounting and reporting policies of Family Health Centers are in accordance with the auditing and accounting standards issued by the American Institute of Certified Public Accountants in its audit guide, "Not-for-Profit Organizations," under the provisions for Voluntary Health and Welfare Organizations.

Cash and cash equivalents

Cash is stated at the book balance. Cash is comprised of cash on hand, depository accounts and money market accounts. Balances in certain of these accounts are invested at the end of each day in overnight repurchase agreements. These repurchase agreements are considered a cash equivalent. Family Health Centers maintains cash balances at various financial institutions to reduce its concentration of risk and to maximize its benefit from FDIC insurance coverage. The cash and cash equivalents, at each institution, are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash and cash equivalents, continued

For purposes of the statements of cash flows, Family Health Centers considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments consist of certificates of deposits (CD's), which are carried at market value. From time to time, Family Health Centers also acquires marketable securities from donors that consist of investments in common stock of public companies. Marketable securities are carried at cost, which approximates market value. Family Health Centers has the ability to and intends to hold these investments for the foreseeable future. Gains and losses are determined using the specific identification method when securities are sold or matured. Due to the type and nature of investments held, any gain or loss is reflected as interest income. Unrealized appreciation or depreciation of the investments is considered immaterial and therefore not separately reflected in the financial statement. Related investment fees are considered insignificant.

Inventory

Inventories of pharmaceutical and consumable supplies on hand are stated at the lower of cost or market using the first-in first-out inventory method. Inventory balances are substantially comprised of pharmaceutical goods.

Property and equipment

Property and equipment (fixed assets) is recorded at cost, or if donated, at fair market value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations, Family Health Centers report expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Family Health Centers reclassifies temporarily restricted net assets to unrestricted net assets at that time. Family Health Centers capitalizes assets with a cost or donated fair value of \$5,000 or more and a useful life of one year or more.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property and equipment, continued

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The cost of assets retired or sold, together with the related accumulated depreciation, is removed from the accounts and any gain or loss on disposition is credited or charged to earnings. For the years ended December 31, 2010 and 2009, debt related interest costs were capitalized as part of property and equipment in the amount of \$0 and \$0, respectively.

Property and equipment held under capital leases is recorded at the present value of minimum lease payments over the term of the lease and is amortized using the straight-line method over their estimated useful lives. At December 31, 2010 and 2009, Family Health Centers held assets in the amount of \$207,157 and \$0, respectively, under capital leases.

The Federal government, as well as the State of Florida have rights and/or security interests over certain property and equipment acquired with grant funds, as well as the proceeds from the disposition of such assets.

Impairment of fixed assets

Family Health Centers adheres to the FASB ASC 360-10-50-2 (formerly Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 144), "Accounting for the Impairment or Disposal of Long-Lived Assets". FASB ASC 360-10-50-2 requires, among other things, that entities identify events or changes in circumstances which indicate that the carrying amount of an asset may not be recoverable.

There was no effect on Family Health Centers' financial statements resulting from FASB ASC 360-10-50-2 for the years ended December 31, 2010 or 2009.

Recognition of donor restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, or when the purpose restriction is met,

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recognition of donor restrictions, continued

temporarily restricted net assets are reclassified to unrestricted net assets. For the years ended December 31, 2010 and 2009, Family Health Centers had no permanently or temporarily restricted net assets.

Current vulnerability due to certain concentrations

Family Health Centers is a multi-location family medical practice including dental operations. Family Health Centers' operations are concentrated in Lee, Hendry and Charlotte Counties. In addition, Family Health Centers operates in a heavily regulated environment. The operations of Family Health Centers are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, the U.S. Department of Health & Human Services (HHS). Such administrative directives, rules and regulations are subject to change by an act of Congress, an administrative change mandated by the HHS or other federal, state and local regulatory agencies. Mandated changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Functional expenses

Family Health Centers allocates and classifies its expenses on a functional basis by cost center among its various program and supporting services. The expenses that are directly attributable to Family Health Centers' programs have been charged directly to the program. Substantially all the supporting services expenses incurred by Family Health Centers directly benefit the programs. However, no allocation of these supporting services costs has been made by Family Health Centers, as no objective allocation basis is available.

Income taxes

Family Health Centers is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Family Health Centers is not classified as a private foundation within the meaning of Section 509(a) of the Code.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Income taxes

The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. Family Health Centers reports no unrelated business taxable income; however, such status is subject to final determination upon examination of the related tax returns by the appropriate taxing authorities.

Advertising costs

It is the policy of Family Health Centers to expense advertising costs when incurred.

Donated materials and services

Family Health Centers receives donated office space (rent). The market value of such rent is reflected as donations revenue and rent expense in an equal amount. Also a number of other volunteers, including the Board of Directors, donate significant amounts of their time and expertise to Family Health Centers and its programs. No amounts have been recorded for donated services inasmuch as no objective basis is available to measure the value of such services.

Management estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Family Health Centers to make estimates and assumptions that affect the reported amounts of assets, liabilities and net assets and disclosure of contingent assets and liabilities at December 31, 2010 and 2009, and revenues and expenses during the year ended December 31, 2010 and 2009. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made in the 2009 financial statements to conform with the classifications used in 2010. These reclassifications had no impact on the financial position or changes in net assets as previously reported.

Subsequent events

Subsequent events have been evaluated through March 25, 2011, which is the date the financial statements were available to be issued.

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents consist of the following at December 31:

	<u>2010</u>	<u>2009</u>
Cash on hand	\$ 1,694	\$ 1,544
Depository, savings and money market accounts	9,075,004	4,099,293
Overnight repurchase agreement	<u>657,365</u>	<u>-</u>
	<u>\$ 9,734,063</u>	<u>\$ 4,100,837</u>

Restricted cash totaling \$827,926 and \$39,364 at December 31, 2010 and 2009, respectively, was comprised of balances reflected as deferred revenue.

Repurchase agreements

A portion of excess cash held is invested overnight with financial institutions in money market accounts comprised of negotiable securities of the United States Treasury, other United States government agencies or collateralized mortgage obligations subject to an agreement to repurchase. These amounts were not subject to guarantee by FDIC but are fully collateralized by federal securities and obligations held by the financial institution, but were unregistered and uninsured. At December 31, 2010 and 2009, the carrying values and market values of cash held in the repurchase agreements were \$657,365 and \$0, respectively. Cash held in the repurchase agreements are considered part of the operating accounts of Family Health Centers and are considered cash and cash equivalents.

Investments

Investments are comprised of the following at December 31:

	<u>2010</u>	<u>2009</u>
Certificate of deposit	<u>\$ -</u>	<u>\$ 517,103</u>

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS, CONTINUED

Concentration of credit risk

Family Health Centers maintains its cash and cash equivalents as well as its money market accounts, certificates of deposit (CD's), and repurchase agreements in financial institutions. These assets are federally insured up to \$250,000 per financial institution, except for the repurchase agreements, which are not insured. Repurchase agreements are unregistered and uninsured, but are collateralized by U.S. Government obligations held by the financial institution, or the trustee, in its name for Family Health Centers. Family Health Centers' cash accounts, money markets, certificates of deposit and repurchase agreements are categorized as follows at December 31:

	<u>Bank Balance</u>	
	<u>2010</u>	<u>2009</u>
Amount covered by Federal Depository Insurance	\$ 507,535	\$ 513,567
Amount uninsured, collateralized by U.S. Government obligations held by custodian	657,365	-
Amount uninsured	<u>8,721,556</u>	<u>2,999,105</u>
	<u>\$ 9,886,456</u>	<u>\$ 3,512,672</u>

NOTE C - PATIENT RECEIVABLES

Patient receivables consist of the following at December 31:

	<u>2010</u>	<u>2009</u>
Patient receivables	\$ 1,089,392	\$ 929,959
Less allowance for doubtful accounts and contractual adjustments	<u>(1,002,744)</u>	<u>(808,390)</u>
Net receivables	<u>\$ 86,648</u>	<u>\$ 121,569</u>

Family Health Centers considers bad debt expense a function of the contractual adjustment and therefore records bad debt expense against its net patient fees. The bad debt adjustment for the years ended December 31, 2010 and 2009, was \$682,056 and \$1,015,477, respectively.

NOTE C - PATIENT RECEIVABLES, CONTINUED

A significant amount of Family Health Centers' patient service revenue is derived from Medicaid, Medicare, third party reimbursement programs and private insurance carriers. Payments under the program for services are based on established amounts for the type of service provided. The difference between the charge for the service and the amount received is recorded as a contractual adjustment and written off. Patient receivables are reflected net of anticipated contractual adjustments and bad debt expense. Collection of these receivables are ultimately dependent upon approval to pay by the appropriate payor/carrier/insurer. Family Health Centers establishes an allowance amount based upon known circumstances and collection history.

NOTE D - GRANT RECEIVABLES

Grant receivables consist of the following at December 31:

	<u>2010</u>	<u>2009</u>
U.S. Dept. of Health and Human Services - Department of Health		
Medicaid - net	(1) \$ 1,279,895	\$ 492,753
ARRA - IDS	-	49,185
ARRA - CIP	38,147	56,242
Florida Department of Health		
Comprehensive Primary Health Care - Charlotte COH5M	58,594	59,110
Comprehensive Primary Health Care - Lee COH5M	58,800	35,239
Lee County Health Department		
Family Planning Services - Female Sterilization - LE119	2,100	-
Comprehensive Primary Health Care - LE104	-	53,559
Comprehensive Primary Health Care - LE122	90,684	-
Comprehensive Primary Health Care - Dental - LE110	-	5,750
	<u>\$ 1,528,220</u>	<u>\$ 751,838</u>

(1) \$1,279,895 includes \$772,513 in Medicaid wrap around funds for quarter 4/2010, which is also included in deferred revenue.

With the exception of Medicaid receivables, management considers all grant receivables fully collectible at both December 31, 2010 and 2009.

Net Medicaid receivables at December 31, 2010 and 2009 include an allowance for uncollectible accounts of \$338,255 and \$328,502, respectively.

NOTE E - ASSETS HELD IN TRUST

Family Health Centers (employer) has an IRC Section 457(b) deferred compensation plan for a predetermined group of highly compensated management employees. Amounts deferred and earnings attributable to the deferrals are maintained as assets of Family Health Centers and are subject to the claims of the employer's general creditors. This treatment of Plan assets as the property of the employer satisfies the requirement that the Plan be unfunded in order to be exempt from ERISA's minimum participation and vesting provisions, and other ERISA requirements. The Plan allows for contributions from salary reduction agreements and non-elective employer contributions.

All 457(b) Plan assets are held by a third party trustee, who is also the administrator of the Plan. Plan assets held in trust are carried by Family Health Centers at fair value and are comprised of the following at December 31:

	<u>2010</u>	<u>2009</u>
457(b) deferred compensation plan	<u>\$ 82,416</u>	<u>\$ 78,009</u>

These amounts are also included in these financial statements as deferred compensation liabilities.

NOTE F - INVESTMENT IN LLC

On May 24, 2007, Family Health Centers entered into a subscription agreement to purchase 6,370 units of a Florida limited liability company ("LLC"), Prestige Health Choice, LLC, that provides Medicaid managed care services to Florida residents. The agreement called for Family Health Centers to initially purchase 3,370 units (the "First Tranche") of the LLC at \$20 per unit, for a total initial investment of \$67,400.

The agreement also called for the remaining 3,000 units (the "Second Tranche") to be purchased at \$100 per unit, for a total investment in the Second Tranche of \$300,000. The Second Tranche was payable to the LLC as follows: 50% of the Second Tranche was due in five (5) monthly payments of \$30,000 on or before September 30, 2007. The remaining 50% of the Second Tranche was due in seven (7) monthly payments of \$21,429 on or before April 30, 2008.

During the year ended December 31, 2007, Family Health Centers purchased the First Tranche and made eight (8) monthly payments towards the Second Tranche for a total investment in the LLC of \$281,686 at December 31, 2007.

FAMILY HEALTH CENTERS OF SOUTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE F - INVESTMENT IN LLC, CONTINUED

During the year ended December 31, 2008, Family Health Centers made the remaining four (4) monthly payments towards the Second Tranche. Family Health Centers' total investment in the LLC was \$367,400 at December 31, 2008.

During the year ended December 31, 2009, Family Health Centers paid \$100,000 to purchase 800 additional provider units at \$125 per unit. Therefore, Family Health Centers' total investment in the LLC was \$467,400 at December 31, 2010 and 2009.

Several other health care organizations are also investors in the 150,000 units offered for sale by the LLC. At December 31, 2010 and 2009, Family Health Centers owned 7,170 units which comprised 4.78% and 4.78% of the LLC, respectively. Investment in the LLC is accounted for using the cost method.

Condensed balance sheets are as follows for the LLC as of December 31:

	2010 <u>(Unaudited)</u>	2009 <u>(Audited)</u>
Current assets	\$ 27,847,500	\$ 22,081,089
Noncurrent assets	<u>336,925</u>	<u>340,267</u>
Total assets	<u>\$ 28,184,425</u>	<u>\$ 22,421,356</u>
Current liabilities	\$ 21,586,560	\$ 17,531,179
Member's equity	<u>6,597,865</u>	<u>4,890,177</u>
Total liabilities & member's equity	<u>\$ 28,184,425</u>	<u>\$ 22,421,356</u>

Condensed Statements of Operations are as follows for the LLC for the years ended December 31:

	2010 <u>(Unaudited)</u>	2009 <u>(Audited)</u>
Revenues	\$ 97,010,563	\$ 45,596,347
Expenses	<u>(94,209,313)</u>	<u>(45,178,423)</u>
EBITDA	2,801,250	417,924
Interest Income/Expense, Taxes, Depreciation and Amortization	<u>13,937</u>	<u>(7,569)</u>
Net Income	<u>\$ 2,815,187</u>	<u>\$ 410,355</u>

NOTE F - INVESTMENT IN LLC, CONTINUED

According to the subscription agreement, investments in the LLC involve significant risks, including the risk of loss of the entire investment if the LLC is unable to successfully implement its business strategy and plans. Potential liability to Family Health Centers, if any, is limited to the investment made for the purchase of units through the subscription agreement.

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2010</u>	<u>2009</u>
Land	\$ 1,412,548	\$ 1,412,548
Construction in process - Grand Avenue	81,262	-
Construction in process - Admin. building	48,221	-
Buildings and improvements	4,379,588	4,212,734
Leasehold improvements	352,809	1,958,827
Furniture and equipment	2,198,846	2,989,990
Furniture and equipment under capital lease	207,157	-
Vehicles	<u>84,388</u>	<u>66,199</u>
	8,764,819	10,640,298
Accumulated depreciation	<u>(4,401,047)</u>	<u>(6,278,712)</u>
	<u>\$ 4,363,772</u>	<u>\$ 4,361,586</u>

Assets held under capital lease consist of phone systems with original costs totaling \$207,157. Depreciation expense of \$5,764 and \$0 was recorded for the leased phone systems for the years ended December 31, 2010 and 2009, respectively (which is included in total depreciation expense). Accumulated depreciation on assets held under capital lease totaled \$5,764 and \$0 at December 31, 2010 and 2009, respectively.

Depreciation expense for the years ended December 31, 2010 and 2009, was \$706,365 and \$633,305, respectively.

FAMILY HEALTH CENTERS OF SOUTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE H - ACCRUED LIABILITIES

Accrued liabilities consist of the following at December 31:

	<u>2010</u>	<u>2009</u>
Accrued compensated absences	\$ 725,285	\$ 619,540
Accrued salaries and wages	309,512	217,962
Accrued bonuses	329,428	148,155
Accrued pension	300,665	49,282
Payroll taxes and other liabilities	<u>79,083</u>	<u>51,300</u>
	<u>\$ 1,743,973</u>	<u>\$ 1,086,239</u>

NOTE I - DEFERRED REVENUE

Deferred revenue consists of the following at December 31:

	<u>2010</u>	<u>2009</u>
Federal and state grants:		
Medicaid wrap around - quarter 3/2010 (1)	\$ 707,250	\$ -
Medicaid wrap around - quarter 4/2010 (2)	<u>772,513</u>	<u>-</u>
	<u>1,479,763</u>	<u>-</u>
Local grants and contracts:		
Low Income Pool Funds	91,705	-
Susan G. Komen Grant	<u>28,971</u>	<u>39,364</u>
	<u>120,676</u>	<u>39,364</u>
Total deferred revenue	<u>\$ 1,600,439</u>	<u>\$ 39,364</u>

(1) included in cash and cash equivalents at December 31, 2010

(2) included in grants receivable at December 31, 2010

NOTE J - LINE OF CREDIT

In June 2010, Family Health Centers renewed an existing \$1 million line of credit with a financial institution, with interest payable at the Wall Street Journal Prime Rate. At December 31, 2010, the interest rate was 3.25%. The line of credit is uncollateralized and expires on June 28, 2011. The outstanding balance on the line of credit at December 31, 2010 and 2009 was \$0 and \$0, respectively.

FAMILY HEALTH CENTERS OF SOUTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE K - LONG-TERM DEBT

Long-term debt consists of the following obligations at December 31:

	<u>2010</u>	<u>2009</u>
Mortgage payable (\$700,000), to a financial institution, payable in 59 monthly installments of \$4,926 including principal and interest at a fixed rate of 6.85%. The obligation is collateralized by the respective real property. Final payment is a balloon payment of all remaining outstanding principal due August 13, 2012.	\$ 275,139	\$ 416,853
Capital lease (\$139,676) payable in 36 monthly installments of \$3,880, with interest at 0%. The obligation is collateralized by the respective personal property, which is phase one of a phone system. Final payment is due October 21, 2013	131,916	-
Capital lease (\$67,481) payable in 36 monthly installments of \$1,874, with interest at 0%. The obligation is collateralized by the respective personal property, which is phase two of a phone system. Final payment is due November 5, 2013.	63,733	-
Mortgage payable (\$537,768), to a financial institution, payable in 180 monthly installments of \$5,268 including principal and interest at a fixed rate of 8.29%. The obligation is collateralized by the respective real property. Final payment was due June 9, 2021.	-	348,990
	470,788	765,843
Current Portion	<u>(111,593)</u>	<u>(37,778)</u>
Long-Term Portion	<u>\$ 359,195</u>	<u>\$ 728,065</u>

NOTE K - LONG-TERM DEBT, CONTINUED

Interest expense related to long-term debt was \$39,281 and \$72,392 (including interest expense incurred regarding the lines of credit) for the years ended December 31, 2010 and 2009, respectively.

Principal maturities of long-term debt are as follows:

Year Ending December 31	Amount
2011	\$ 111,593
2012	301,652
2013	57,543
	<u>\$ 470,788</u>

NOTE L - SCHEDULE OF NET ASSETS

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

	2010	2009
Unrestricted - undesignated:		
General operations	\$12,230,645	\$ 7,938,809
Unrestricted - designated:		
Designated for capital assets	-	-
Designated for future operations	-	-
	<u>\$12,230,645</u>	<u>\$ 7,938,809</u>

Designations of net assets are voluntary segregations of unrestricted net assets for specific purposes, projects or investments by the Board of Directors and may be amended at any time. The Board of Directors of Family Health Centers has elected to fund its designated net assets, if any, and the related cash and investments are noted as designated within these financial statements.

NOTE M - DONATIONS

Donations consist of the following at December 31:

	<u>2010</u>	<u>2009</u>
Donated office space	\$ 50,023	\$ 49,286
Cash donations	<u>16,928</u>	<u>8,054</u>
	<u>\$ 66,951</u>	<u>\$ 57,340</u>

NOTE N - COMMITMENTS AND CONTINGENCIES

Family Health Centers is currently receiving, and has received in the past, grants, Medicare, Medicaid and other third party reimbursement funds which are subject to special compliance audits by the grantor, Medicare, Medicaid and other third party agencies that provide these reimbursements. These audits may result in disallowed expense amounts.

Disallowed amounts, if any, constitute a contingent liability of Family Health Centers. Accordingly, such liabilities are not reflected within the financial statements. Family Health Centers does not believe any contingent liabilities, if any, to be material.

NOTE O - PENSION PLANS

401(a) Money Purchase Defined Contribution Plan

Family Health Centers maintains a defined contribution plan which is available to all of its employees provided they are at least 21 years of age and complete one year of qualified service. Participants vest over a five (5) year period of qualified service. The Plan is administered by a third party. All assets of the Plan are held by a third party trustee.

During 2006, an amendment to the plan was executed by Family Health Centers to reduce the employer's required contribution to the plan. Effective November 1, 2006, the plan required Family Health Centers to make a contribution of 5% of the Participant's (employee's) qualified compensation. Prior to November 1, 2006, the employer was required to contribute 8.75% of the Participant's qualified compensation.

NOTE O - PENSION PLANS, CONTINUED

At their December 16, 2009 meeting, the Board of Directors approved a motion to give eligible employees a one-time pension contribution of 2% of their annual salary, in addition to the annual 5% contribution. The total cost of of the aforementioned one-time contibution was approximately \$210,000, which is included in fringe benefit expenses on the Statement of Functional Expenses for the year ended December 31, 2009.

Total contributions to the 401(a) plan for the years ended December 31, 2010 and 2009, by Family Health Centers were \$585,410 and \$748,710, respectively. There was no unfunded liability at December 31, 2010 or 2009.

On December 15, 2010, Family Health Centers filed a Notice of Cessation of Contributions for the 401(a) plan. It is management's intent to merge the 401(a) Money Purchase Defined Contribution Plan with a new 401(a) Thrift Profit Sharing Plan with a new 401(a) Thrift Profit Sharing Plan in April, 2011. The new plan will have regular monthly contributions and allow Family Health Centers to make additional discretionary contributions as approval.

At their December 15, 2010 meeting, the Board of Directors approved a motion to give eligible employees a discretionary contribution of 2% of their annual salary, in addition to the annual 5% contribution. The total cost of of the aforementioned discretionary contibution was \$232,455, which is included in fringe benefit expenses on the Statement of Functional Expenses for the year ended December 31, 2010. The discretionary 2% contribution was deposited into the new 401(a) Thrift Profit Sharing Plan during February 2011.

The former 401(a) plan balance, along with contributions for December 2010 and January 2011, is expected to be merged into the new 401(a) Thrift Profit Sharing Plan in April, 2011. The cessation of contributions will not affect the vested amounts currently held in participant accounts under the plan.

NOTE O - PENSION PLANS, CONTINUED

403(b) Tax-Deferred Annuity Plan

Family Health Centers offers an IRC Section 403(b) tax-deferred annuity plan to its eligible employees. The Plan permits only employee salary reduction contributions made pursuant to voluntary salary reduction agreements between the employer and its eligible employees. The contributions are excludable from gross income of the eligible employees under the Internal Revenue Code. The Plan does not provide for any other contributions by the employer or eligible employees. The Plan is administered by a third party, and all assets of the Plan are held by a third party trustee.

457(b) Deferred Compensation Plan

On November 29, 2006, Family Health Centers' Board of Directors passed a resolution to establish an IRC Section 457(b) deferred compensation plan for highly compensated management employees. The deferred compensation plan was effective as of December 1, 2006, although no employer contributions were made during 2006. The Plan calls for non-elective employer contributions as approved by the Board of Directors.

Amounts deferred and earnings attributable to the deferrals are maintained as assets of Family Health Centers and are subject to the claims of the employer's general creditors.

All 457(b) Plan assets are held by a trustee, who is also the administrator of the Plan. The aforementioned assets are carried at fair value and included on the Statements of Financial Position as Assets Held in Trust and also as Deferred Compensation.

Total employer contributions to the 457(b) plan for the years ended December 31, 2010 and 2009, by Family Health Centers were \$28,947 and \$32,526, respectively.

FAMILY HEALTH CENTERS OF SOUTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE P - FUNDRAISING COSTS

Family Health Centers incurred no specific fundraising costs during either the year ended December 31, 2010 or 2009.

NOTE Q - LEASE COMMITMENTS

Family Health Centers lease several locations from which it operates its health centers. Certain of the leases contain options to renew and acceleration clauses based on the annual increase in the consumer price index. Facilities rental expense for the years ended December 31, 2010 and 2009, was \$871,809 and \$887,618, respectively.

Family Health Centers also leases (operating type) various office and medical equipment. Equipment rental expense for the years ended December 31, 2010 and 2009, was \$127,552 and \$126,980 respectively.

Total future minimum lease payments required under facility and equipment leases are as follows:

Year Ending December 31	Facility Leases	Equipment Leases	Totals
2011	\$ 639,197	\$ 113,018	\$ 752,215
2012	486,193	46,123	532,316
2013	340,172	2,723	342,895
2014	338,889	-	338,889
2015	200,897	-	200,897
2016	138,477	-	138,477
	<u>\$ 2,143,825</u>	<u>\$ 161,864</u>	<u>\$ 2,305,689</u>

NOTE R - ECONOMIC DEPENDENCE

The operations of Family Health Centers is dependent on the receipt of support and revenue from grantor agencies, Medicare and Medicaid. Loss of these funds and/or large decreases in these types of funding would have a material effect on Family Health Centers and a negative impact on overall operations. For the years ended December 31, 2010 and 2009, approximately 87% and 84% of total support and revenue, respectively, was attributable to amounts received for the account classifications listed above.

NOTE S - UNITED WAY REVENUE

Family Health Centers received contract awards from the United Way of Lee County for the years ended December 31, 2010 and 2009, of \$64,000 and \$64,000, respectively. During the year ended December 31, 2010, Family Health Centers also received \$21,420 from the United Way for rent supplements for the Dunbar United Way House.

NOTE T - LITIGATION

Family Health Centers is involved from time to time in routine litigation, the substance of which would not materially affect its financial position, due to third party insurance coverage and/or federal tort limits. Family Health Centers is not in a position at either December 31, 2010 or 2009 to predict a final outcome of such lawsuits or claims, or the related costs involved. Family Health Centers intends to vigorously contest all claims unless first settled.

NOTE U - COMMITMENTS

During the year ended December 31, 2010, Family Health Centers began work on the following construction projects:

- construction of a new administrative building in the Heitman Street parking lot
- renovation of the former Bus Station Annex and the Downtown Fort Myers Center

NOTE U - COMMITMENTS, CONTINUED

Construction of the new administrative building and renovations of the Bus Station Annex have been undertaken to house non-clinical services currently located in the Downtown Fort Myers Center. The relocation of non-clinical services will provide much needed additional space for clinical services.

The renovations to the Downtown Fort Myers Center are intended to improve the facility and maximize square footage devoted to clinical activities. Once the renovations have been completed, the adult medicine department now located on Broadway Avenue ("Broadway Medical") will be relocated to Grand Avenue.

The contract to construct the new administrative building totals approximately \$500,000. As of December 31, 2010, construction-related costs totaling \$48,221 were incurred and capitalized.

The contract to renovate the former Bus Station Annex and the Downtown Fort Myers Center totals approximately \$2.1 million, of which \$1,402,693 is being funded through the ARRA - Capital Improvements Program (CIP) grant. As of December 31, 2010, construction-related costs totaling \$81,262 were incurred and capitalized.

Both construction projects are expected to be completed in 2011.

SUPPLEMENTARY INFORMATION

**FAMILY HEALTH CENTERS OF SOUTHWEST FLORIDA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
Year Ended December 31, 2010**

Federal and State Agency/Pass Through Grantor/Program Title	CFDA/CSFA	Pass-Through or Grant Contract Number
<u>U.S. Department of Health and Human Services</u>		
NON-MAJOR (Type A)		
Bureau of Primary Health Care Community Migrant Health Centers Grant	93.224	6H80CS00185-09-05
MAJOR (Type A)		
<u>ARRA</u> – Health Center Integrated Services Development - Increase Demand for Services (IDS)/Increase Svs to Health Centers	93.703	6H8BCS11595-01-01
<u>ARRA</u> – Health Center Integrated Services Development - Capital Improvements Program (CIP)	93.703	6C81CS14445-01-04
Department of Health Medicaid	93.778	n/a
NON-MAJOR (Type B)		
Department of Health Family Planning Services - Female Sterilization	93.217	LE111
Family Planning Services - Female Sterilization	93.217	LE119
TOTAL FEDERAL AWARDS		
<u>State of Florida Department of Health</u>		
MAJOR (Type A)		
Lee County Health Department Comprehensive Primary Health Care Services - Dental - Lee	64.059	LE110
Comprehensive Primary Health Care Services-Lee	64.059	COH5M
Lee County Health Department Comprehensive Primary Health Care Services	Not Available	* LE104
MAJOR (Type B)		
Comprehensive Primary Health Care Services-Charlotte	64.057	COH5M
NON-MAJOR (Type B)		
Lee County Health Department Comprehensive Primary Health Care Services	Not Available	* LE122
Everglades Area Health Education Center, Inc. Nova Southeastern University, Inc. Tobacco Cessation / Reduction Services	64.094	N/A
TOTAL STATE FINANCIAL ASSISTANCE		
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE		

* - Not available; not provided by grantor
(1) Includes receivables of \$38,147

(2) Includes receivables of \$1,279,895, of which
\$772,513 is deferred

Program or Award Amount	Revenue		Expenditures
<u>\$ 6,954,380</u>	<u>\$ 6,954,380</u>		<u>\$ 6,954,380</u>
902,026	833,129		833,129
<u>2,262,430</u>	<u>622,364</u>	(1)	<u>622,364</u>
<u>3,164,456</u>	<u>1,455,493</u>		<u>1,455,493</u>
<u>n/a</u>	<u>17,775,158</u>	(2)	<u>17,775,158</u>
14,350	3,850		3,850
<u>16,450</u>	<u>3,150</u>	(3)	<u>3,150</u>
<u>30,800</u>	<u>7,000</u>		<u>7,000</u>
<u>10,149,636</u>	<u>26,192,031</u>		<u>26,192,031</u>
65,000	31,891		31,891
<u>907,668</u>	<u>225,470</u>	(4)	<u>225,470</u>
<u>972,668</u>	<u>257,361</u>		<u>257,361</u>
<u>382,932</u>	<u>285,912</u>		<u>285,912</u>
<u>907,668</u>	<u>165,120</u>	(5)	<u>165,120</u>
<u>907,668</u>	<u>165,120</u>		<u>165,120</u>
<u>382,932</u>	<u>100,188</u>	(6)	<u>100,188</u>
<u>42,000</u>	<u>10,000</u>		<u>-</u>
<u>2,688,200</u>	<u>818,581</u>		<u>808,581</u>
<u>\$ 12,837,836</u>	<u>\$ 27,010,612</u>		<u>\$ 27,000,612</u>

(3) Includes receivables of \$2,100

(4) Includes receivables of \$58,800

(5) Includes receivables of \$58,594

(6) Includes receivables of \$90,684

FAMILY HEALTH CENTERS OF SOUTHWEST FLORIDA, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND STATE FINANCIAL ASSISTANCE
Year Ended December 31, 2010

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NOTE A - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards and State Financial Assistance has been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and is in accordance with the provisions of the OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", the Florida Single Audit Act (F.S. 215.97), and the State of Florida Rules of the Auditor General 10.650.

Expenditures reported on the Schedule of Expenditures of Federal Awards and State Financial Assistance include cash disbursements, whether capitalized or expensed, during the fiscal year as well as grant related amounts recorded as payable at year end. Revenues reported on the Schedule of Expenditures of Federal Awards and State Financial Assistance include cash receipts, whether recognized or deferred, as well as grant receivables recorded at year end.

NOTE B - INDIRECT COSTS

Family Health Centers did not routinely allocate costs to Federal Awards and State Financial Assistance programs. Costs charged to such programs were direct costs unless specifically incurred for the program and allowed and indicated as such.

**ADDITIONAL REPORTS OF
INDEPENDENT AUDITOR**



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Affiliations

Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Directors
Family Health Centers of Southwest Florida, Inc.
2256 Heitman Street
Fort Myers, Florida 33901

We have audited the financial statements of Family Health Centers of Southwest Florida, Inc. as of and for the year ended December 31, 2010, and have issued our report thereon dated March 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Family Health Centers of Southwest Florida, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on financial statements, but not for the purpose of expressing an opinion on the effectiveness of Family Health Centers of Southwest Florida, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Family Health Centers of Southwest Florida, Inc.'s internal control over financial reporting.

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 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.

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A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the finance committee, management, federal and state awarding agencies, pass-through entities, the Auditor General of the State of Florida, and federal and state audit agencies. This report is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Tuscan & Company, P.A." in a cursive script.

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

March 25, 2011



TUSCAN
 & Company, PA

Certified Public Accountants & Consultants

Affiliations

Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

**Independent Auditor's Report on Compliance with Requirements
 That Could Have a Direct and Material Effect on Each Major Program and on
 Internal Control Over Compliance in Accordance with OMB Circular A-133 and the
 Florida Single Audit Act (Florida Statute 215.97)**

Board of Directors
 Family Health Centers of Southwest Florida, Inc.
 2256 Heitman Street
 Fort Myers, Florida 33901

Compliance

We have audited the compliance of Family Health Centers of Southwest Florida, Inc. with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" and in the "State Projects Compliance Supplement" that are applicable to each of its major federal programs and each of its major state projects for the year ended December 31, 2010. Family Health Centers of Southwest Florida, Inc.'s major federal programs and major state projects are identified in the accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and of its major state projects is the responsibility of Family Health Centers of Southwest Florida, Inc.'s management. Our responsibility is to express an opinion on Family Health Centers, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," the Florida Single Audit Act (Florida Statute 215.97) and the State of Florida, Rules of the Auditor General 10.650. Those Standards, OMB Circular-A133, the Florida Single Audit Act (Florida Statute 215.97) and the State of Florida, Rules of the Auditor General 10.650 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

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a major federal program or a major state project occurred. An audit includes examining, on a test basis, evidence about Family Health Centers of Southwest Florida, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Family Health Centers of Southwest Florida, Inc.'s compliance with those requirements.

In our opinion, Family Health Centers of Southwest Florida, Inc., complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and each of its major state projects for the year ended December 31, 2010.

Internal Control Over Compliance

The management of Family Health Centers of Southwest Florida, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered Family Health Centers of Southwest Florida, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program and/or a major state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Family Health Centers of Southwest Florida, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project 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 reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the finance committee, management, federal and state awarding agencies, pass-through entities, the Auditor General of the State of Florida, and federal and state audit agencies. This report is not intended to be, and should not be, used by anyone other than these specified parties.

Tuscan & Company, P.A.

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

March 25, 2011

FAMILY HEALTH CENTERS OF SOUTHWEST FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED
COSTS - FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year Ended December 31, 2010

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Control deficiency(ies) identified?	_____ Yes <u> X </u> No
Significant deficiency(ies) identified?	_____ Yes <u> X </u> No
Material weakness(es) identified?	_____ Yes <u> X </u> None reported
Noncompliance material to financial statements noted?	_____ Yes <u> X </u> No

Federal Awards

Internal control over major programs:	
Control deficiency(ies) identified?	_____ Yes <u> X </u> No
Significant deficiency(ies) identified?	_____ Yes <u> X </u> No
Material weakness(es) identified?	_____ Yes <u> X </u> None reported
Type of auditors report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	_____ Yes <u> X </u> No
Identification of major programs (Type A):	

CFDA	
<u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.703	<u>ARRA</u> – Health Center Integrated Services Development - Increase Demand for Services (IDS)
93.703	<u>ARRA</u> – Health Center Integrated Services Development - Capital Improvements Program (CIP)
93.778	Medicaid

Dollar threshold used to distinguish between Type A and Type B programs? Threshold used was \$785,761

Auditee qualified as low-risk auditee? X Yes _____ No

Listing of Subrecipients and amounts passed-through: None - There were no subgrantees

FAMILY HEALTH CENTERS OF SOUTHWEST FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED
COSTS - FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE, CONTINUED
Year Ended December 31, 2010

State Financial Assistance

Internal control over major projects:
Control deficiency(ies) identified? _____ Yes X No
Significant deficiency(ies) identified? _____ Yes X No
Material weakness(es) identified? _____ Yes X None reported
Type of auditors report issued on compliance for major programs Unqualified
Any audit findings disclosed that are required to be reported in accordance with Rules of the Auditor General 10.654(1)(1)? _____ Yes X No
Identification of major programs (Type A and Type B):

CSFA	
<u>Number(s)</u>	<u>Name of State Program or Cluster</u>
64.059	Comprehensive Primary Health Care Services - Lee
64.057	Comprehensive Primary Health Care Services-Charlotte
not available	Comprehenisve Primary Health Care Services - LE104

Dollar threshold used to distinguish between Type A and Type B programs? Threshold used was \$242,574

Listing of Subrecipients and amounts passed-through: None - There were no subgrantees

Section II- Financial Statement Findings

There were no reportable conditions, material weaknesses, or instances of noncompliance related to the financial statements.

Section III- Federal Award and State Financial Assistance Findings and Questioned Costs

There were no audit findings related to federal awards required to be reported by Circular A-133, Section 510(a).

There were no audit findings related to state financial assistance required to be reported by Rules of the Auditor General 10.654(1)(1).

Status of Federal and/or State Prior Year Findings

There were no prior year findings.

INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT

Board of Directors
Family Health Centers of Southwest Florida, Inc.
2256 Heitman Street
Fort Myers, Florida 33901

In planning and performing our audit of the financial statements of Family Health Centers of Southwest Florida, Inc. (Family Health Centers) (a not-for-profit Florida corporation), for the year ended December 31, 2010, we considered Family Health Centers' internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. In connection with our audit, we are submitting the following comments and recommendations in accordance with Chapter 10.650 "Rules of the Auditor General - State Single Audit, Nonprofit and For-Profit Organizations" (Revised September 30, 2010) Rule 10.656(3)(e) and Section 215.97(9)(f), of the Florida Statutes. Although our audit was not designed to provide assurance on the internal controls, we noted certain matters involving the internal controls and its operations and are submitting for your consideration, related recommendations designed to help Family Health Centers make improvements and achieve operational efficiencies. Our comments reflect our desire to be of continuing assistance to Family Health Centers of Southwest Florida, Inc.

PRIOR YEAR COMMENTS THAT CONTINUE TO APPLY:

None - No financially significant comments noted.

CURRENT YEAR COMMENTS:

No financially significant comments noted.

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This report is intended solely for the information and use of finance committee, management, Federal and State awarding agencies, pass-through entities, the Auditor General for the State of Florida and other Federal and State audit agencies. This report is not intended to be, and should not be, used by anyone other than these specified parties.

Tuscan & Company, P.A.

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

March 25, 2011

EXHIBIT



Family Health Centers
OF SOUTHWEST FLORIDA, INC.

April 20, 2011

Tuscan & Company, P.A.
12621 World Plaza Lane
Building 55
Fort Myers, Florida 33907

The Budget and Finance Committee of Family Health Centers of Southwest Florida, Inc. has reviewed the audited financial statements for the years ended December 31, 2010 and 2009 prepared by your firm.

The Committee has approved the audit on behalf of the Board of Directors and we thank you for your efforts.

Sincerely,

R. Lee Golden
Board Chairman