

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

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

**YEARS ENDED
DECEMBER 31, 2011 AND 2010**

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Private Companies Practice Section

Tax Division

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, 2011 and 2010, 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, 2011 and 2010, 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 30, 2012, 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 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, 2011, 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



TUSCAN & COMPANY, P.A.
Fort Myers, Florida
March 30, 2012

FAMILY HEALTH CENTERS OF SOUTHWEST FLORIDA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents (including restricted cash of \$24,780 and \$827,926, respectively)	\$ 13,001,186	\$ 9,734,063
Patient receivables, net	111,507	86,648
Grant receivables	1,681,829	1,528,220
Other receivables	24,743	29,297
Inventory	21,194	21,759
Prepays and deposits	<u>238,250</u>	<u>102,616</u>
TOTAL CURRENT ASSETS	15,078,709	11,502,603
ASSETS HELD IN TRUST	145,990	82,416
INVESTMENT IN LLC	467,400	467,400
PROPERTY AND EQUIPMENT, NET	<u>7,306,821</u>	<u>4,363,772</u>
TOTAL ASSETS	<u>\$ 22,998,920</u>	<u>\$ 16,416,191</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 849,142	\$ 287,930
Retainage payable	196,126	-
Accrued liabilities	1,854,767	1,743,973
Deferred revenue - federal and state grants	35,000	1,479,763
Deferred revenue - local grants and contracts	24,780	120,676
Line of credit	-	-
Current portion of long-term debt	<u>233,343</u>	<u>111,593</u>
TOTAL CURRENT LIABILITIES	3,193,158	3,743,935
DEFERRED COMPENSATION	145,990	82,416
LONG-TERM DEBT, NET OF CURRENT PORTION	112,304	359,195
COMMITMENTS AND CONTINGENCIES	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>3,451,452</u>	<u>4,185,546</u>
NET ASSETS		
Unrestricted	<u>19,547,468</u>	<u>12,230,645</u>
TOTAL NET ASSETS	<u>19,547,468</u>	<u>12,230,645</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,998,920</u>	<u>\$ 16,416,191</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, 2011 and 2010

	2011		
	Unrestricted	Temporarily Restricted	Total
CHANGES IN NET ASSETS			
SUPPORT AND REVENUE			
Federal and state grants	\$ -	\$ 9,444,191	\$ 9,444,191
Medicaid, net	-	22,878,853	22,878,853
Medicare, net	558,057	-	558,057
Patient fees, net (including third party insurance)	3,303,099	-	3,303,099
Medicaid EHR Incentive Program	-	765,000	765,000
Donations	51,325	-	51,325
Interest income	63,321	-	63,321
Loss on sale of assets	-	-	-
Other income	141,893	406,115	548,008
	<u>4,117,695</u>	<u>33,494,159</u>	<u>37,611,854</u>
TOTAL SUPPORT AND REVENUE	4,117,695	33,494,159	37,611,854
Net Assets Released from Restrictions	<u>33,494,159</u>	<u>(33,494,159)</u>	<u>-</u>
TOTAL	<u>37,611,854</u>	<u>-</u>	<u>37,611,854</u>
EXPENSES			
Program services	25,856,847	-	25,856,847
Supporting services	4,438,184	-	4,438,184
	<u>30,295,031</u>	<u>-</u>	<u>30,295,031</u>
TOTAL EXPENSES	30,295,031	-	30,295,031
INCREASE IN NET ASSETS	7,316,823	-	7,316,823
NET ASSETS, BEGINNING OF YEAR	<u>12,230,645</u>	<u>-</u>	<u>12,230,645</u>
NET ASSETS, END OF YEAR	<u>\$ 19,547,468</u>	<u>\$ -</u>	<u>\$ 19,547,468</u>

The accompanying notes are an integral part of this statement.

2010		
Unrestricted	Temporarily Restricted	Total
\$ -	\$ 9,235,454	\$ 9,235,454
-	17,775,158	17,775,158
379,867	-	379,867
2,978,070	-	2,978,070
-	-	-
66,951	-	66,951
128,077	-	128,077
(35,038)	-	(35,038)
98,188	887,304	985,492
3,616,115	27,897,916	31,514,031
27,897,916	(27,897,916)	-
31,514,031	-	31,514,031
23,181,675	-	23,181,675
4,040,520	-	4,040,520
27,222,195	-	27,222,195
4,291,836	-	4,291,836
7,938,809	-	7,938,809
<u>\$ 12,230,645</u>	<u>\$ -</u>	<u>\$ 12,230,645</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, 2011

	PROGRAM SERVICES					
	Medical	Dental	X-Ray	Laboratory	Pharmacy	Social Service
FUNCTIONAL EXPENSES						
Salaries	\$ 7,667,019	\$ 5,135,616	\$ 35,708	\$ 66,958	\$ 346,047	\$ 348,070
Fringe benefits	1,749,752	1,190,988	7,812	15,120	79,232	78,845
Contracted services	280,190	254,352	136,073	18,153	-	19,783
Supplies	536,798	883,289	256	12,307	23,926	7,150
Insurance	-	-	-	-	-	-
Rent/rental	151,738	18,363	4,053	3,181	3,797	3,340
Repairs and maintenance	138,708	156,497	3,192	4,429	15,971	1,503
Capital items < \$5,000	131,290	234,096	-	-	26,818	792
Utilities	13,393	1,665	-	-	-	-
Telecommunications	45,688	10,866	110	531	2,952	4,439
Travel	12,000	13,259	-	-	-	1,763
Interest	-	-	-	-	-	-
Dues and fees	20,405	4,107	-	230	1,556	1,035
Training	45,317	23,729	-	-	1,763	677
Security service	376	-	-	-	-	-
Advertising	-	-	-	-	-	-
Printing and publication	26,510	24,823	-	-	123	1,931
Recruitment	-	-	-	-	-	-
Postage and freight	-	-	-	-	26	-
Marketing	-	-	-	-	-	-
Other	2,554	200	-	-	525	756
Professional fees	-	-	-	-	-	-
Bank fees	-	-	-	-	-	-
	<u>10,821,738</u>	<u>7,951,850</u>	<u>187,204</u>	<u>120,909</u>	<u>502,736</u>	<u>470,084</u>
Depreciation and amortization	<u>65,855</u>	<u>83,019</u>	<u>2,186</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u><u>\$10,887,593</u></u>	<u><u>\$ 8,034,869</u></u>	<u><u>\$ 189,390</u></u>	<u><u>\$ 120,909</u></u>	<u><u>\$ 502,736</u></u>	<u><u>\$ 470,084</u></u>

The accompanying notes are an integral part of this statement.

PROGRAM SERVICES				Total	SUPPORTING SERVICES	
Disease Management	Transportation	Medical Records/ Patient Accounts	Occupancy & Maintenance	Program Expenses	Admin.	Total Expenses
\$ 118,752	\$ -	\$ 948,406	\$ -	\$ 14,666,576	\$ 2,652,161	\$ 17,318,737
25,783	-	211,489	-	3,359,021	650,108	4,009,129
5,440	-	1,645,677	-	2,359,668	297,041	2,656,709
3,279	657	18,614	12,281	1,498,557	39,863	1,538,420
-	-	-	78,974	78,974	28,209	107,183
800	-	14,516	819,817	1,019,605	54,111	1,073,716
260	3,500	29,501	374,900	728,461	40,276	768,737
-	-	124,576	19,869	537,441	19,775	557,216
-	-	-	233,041	248,099	8,159	256,258
-	-	13,819	300,817	379,222	54,971	434,193
6,586	-	9,798	-	43,406	36,593	79,999
-	-	-	-	-	14,308	14,308
359	-	841	10,191	38,724	45,827	84,551
450	-	1,370	-	73,306	45,472	118,778
-	-	371	290,081	290,828	-	290,828
-	-	-	-	-	96,578	96,578
72	-	2,434	120	56,013	21,087	77,100
-	-	-	-	-	47,379	47,379
-	-	80	-	106	27,411	27,517
-	-	-	-	-	625	625
-	-	350	2,131	6,516	49,252	55,768
-	-	-	-	-	103,771	103,771
-	-	-	-	-	91,712	91,712
161,781	4,157	3,021,842	2,142,222	25,384,523	4,424,689	29,809,212
-	-	-	321,264	472,324	13,495	485,819
<u>\$ 161,781</u>	<u>\$ 4,157</u>	<u>\$ 3,021,842</u>	<u>\$ 2,463,486</u>	<u>\$ 25,856,847</u>	<u>\$ 4,438,184</u>	<u>\$ 30,295,031</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	Dental	X-Ray	Laboratory	Pharmacy	Social Service
Salaries	\$ 6,928,652	\$ 4,225,316	\$ 34,445	\$ 63,150	\$ 332,988	\$ 326,034
Fringe benefits	1,569,410	962,822	6,884	30,832	61,137	64,146
Contracted services	288,822	294,974	129,746	(8,500)	536	70,416
Supplies	430,565	733,347	368	13,251	84,271	9,122
Insurance	-	-	-	-	-	4,044
Rent/rental	71,285	48,182	3,527	1,945	3,331	3,680
Repairs and maintenance	164,354	149,002	2,340	3,579	7,913	6,454
Capital items < \$5,000	-	258,327	-	-	-	-
Utilities	9,139	31	-	-	-	-
Telecommunications	35,989	14,767	-	-	766	3,592
Travel	12,210	10,158	-	-	-	2,876
Interest	-	-	-	-	-	-
Dues and fees	11,718	3,667	-	330	1,837	460
Training	54,334	12,749	-	-	887	1,811
Security service	7	(980)	-	-	-	-
Advertising	-	-	-	-	-	-
Printing and publication	27,839	15,734	-	123	2	299
Recruitment	-	-	-	-	-	-
Postage and freight	-	23	-	-	-	-
Marketing	272	-	-	-	-	-
Other	4,880	-	-	-	-	1,056
Professional fees	-	-	-	-	-	-
Bank fees	-	-	-	-	-	-
	<u>9,609,476</u>	<u>6,728,119</u>	<u>177,310</u>	<u>104,710</u>	<u>493,668</u>	<u>493,990</u>
Depreciation and amortization	<u>72,451</u>	<u>113,758</u>	<u>2,915</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u>\$ 9,681,927</u>	<u>\$ 6,841,877</u>	<u>\$ 180,225</u>	<u>\$ 104,710</u>	<u>\$ 493,668</u>	<u>\$ 493,990</u>

The accompanying notes are an integral part of this statement.

PROGRAM SERVICES				Total	SUPPORTING SERVICES	
Disease Management	Transportation	Medical Records/ Patient Accounts	Occupancy & Maintenance	Program Expenses	Admin.	Total Expenses
\$ 111,780	\$ -	\$ 946,832	\$ -	\$ 12,969,197	\$ 2,515,903	\$ 15,485,100
22,991	-	187,026	4,701	2,909,949	595,668	3,505,617
12,886	-	1,447,072	260	2,236,212	134,962	2,371,174
818	698	15,706	19,816	1,307,962	64,274	1,372,236
-	-	-	76,183	80,227	29,186	109,413
-	-	12,616	803,435	948,001	51,360	999,361
-	2,723	25,610	438,299	800,274	30,383	830,657
-	-	-	-	258,327	-	258,327
-	-	-	217,064	226,234	13,169	239,403
-	-	4,826	290,300	350,240	48,683	398,923
3,459	-	9,084	24	37,811	34,744	72,555
-	-	-	-	-	39,281	39,281
354	-	-	12,354	30,720	59,477	90,197
1,709	-	172	-	71,662	32,233	103,895
-	-	-	202,944	201,971	-	201,971
-	-	-	-	-	104,232	104,232
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
-	-	-	256	6,192	29,066	35,258
-	-	-	-	-	70,617	70,617
-	-	-	-	-	86,968	86,968
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>\$ 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.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM		
OPERATING ACTIVITIES		
Cash received from grants, donors, customers and other operating activities	\$ 35,797,960	\$ 32,439,872
Cash paid to suppliers and employees	(29,221,967)	(26,373,901)
Interest paid	(14,308)	(39,281)
Interest received	<u>63,321</u>	<u>121,361</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>6,625,006</u>	<u>6,148,051</u>
CASH FLOWS FROM		
INVESTING ACTIVITIES		
Cash received from maturity of certificate of deposit	-	523,819
Payments for property and equipment	<u>(3,232,742)</u>	<u>(743,589)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(3,232,742)</u>	<u>(219,770)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of principal on long-term debt	(248,270)	(502,212)
Proceeds from issuance of long-term debt	123,129	207,157
Proceeds from line of credit borrowings	-	-
Repayments of line of credit borrowings	<u>-</u>	<u>-</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(125,141)</u>	<u>(295,055)</u>
NET INCREASE IN CASH	3,267,123	5,633,226
CASH, BEGINNING OF YEAR	<u>9,734,063</u>	<u>4,100,837</u>
CASH, END OF YEAR	<u>\$ 13,001,186</u>	<u>\$ 9,734,063</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>2011</u>	<u>2010</u>
Increase in net assets	\$ 7,316,823	\$ 4,291,836
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	485,819	706,365
Interest income on investments	-	(6,716)
Loss on sale/disposal of assets	-	35,038
(Increase) decrease in patient receivables, net	(24,859)	34,921
(Increase) decrease in grant receivables	(153,609)	(776,382)
(Increase) decrease in other receivables	4,554	249,289
(Increase) decrease in inventory	565	(1,811)
(Increase) decrease in prepaids and deposits	(135,634)	(7,294)
Increase (decrease) in accounts payable	561,212	(596,004)
Increase (decrease) in accrued liabilities	110,794	657,734
Increase (decrease) in deferred revenue	<u>(1,540,659)</u>	<u>1,561,075</u>
	<u>(691,817)</u>	<u>1,856,215</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 6,625,006</u>	<u>\$ 6,148,051</u>

NON-CASH TRANSACTIONS

Family Health Centers also received donated office space in the amount of \$36,000 and \$50,023 for the years ended December 31, 2011 and 2010, 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 Florida 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

From time to time, Family Health Centers 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. 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. No investments were held at December 31, 2011 and 2010.

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, 2011 and 2010, 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, 2011 and 2010, Family Health Centers held assets in the amount of \$330,286 and \$207,157, 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, 2011 or 2010.

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, 2011 and 2010, 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, 2011 and 2010, and revenues and expenses during the years ended December 31, 2011 and 2010. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made in the 2010 financial statements to conform with the classifications used in 2011. 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 30, 2012, which is the date the financial statements were available to be issued.

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

Fair value measurements

Family Health Centers follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820 "Fair Value Measurements and Disclosures". The standard prioritized the use of market-based information and established a three-level hierarchy based on transparency of information, such as the pricing source, used in the valuation of the asset or liability. As required by the standard, assets and liabilities carried at fair value on a recurring basis are classified in one of the following three-level hierarchy categories:

Level 1: Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2: Observable inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

NOTE B - CASH AND CASH EQUIVALENTS

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

	<u>2011</u>	<u>2010</u>
Cash on hand	\$ 3,344	\$ 1,694
Depository, savings and money market accounts	11,737,456	9,075,004
Overnight repurchase agreement	<u>1,260,386</u>	<u>657,365</u>
	<u>\$13,001,186</u>	<u>\$ 9,734,063</u>

Restricted cash totaling \$24,780 and \$827,926 at December 31, 2011 and 2010, respectively, was comprised of balances reflected as deferred revenue, less any corresponding receivable.

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS, CONTINUED

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 or any other Federal Agency but are fully collateralized by federal securities and obligations held by the financial institution, but were unregistered and uninsured. At December 31, 2011 and 2010, the carrying values and market values of cash held in the repurchase agreements were \$1,260,386 and \$657,365, 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.

Concentration of credit risk

Family Health Centers maintains its cash and cash equivalents as well as its money market accounts 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 market accounts are repurchase agreements are categorized as follows at December 31:

	<u>Bank Balance</u>	
	<u>2011</u>	<u>2010</u>
Amount covered by Federal Depository Insurance	\$ 511,173	\$ 507,535
Amount uninsured, collateralized by U.S. Government obligations held by custodian	1,260,386	657,365
Amount uninsured	<u>11,521,291</u>	<u>8,721,556</u>
	<u>\$ 13,292,850</u>	<u>\$ 9,886,456</u>

FAMILY HEALTH CENTERS OF SOUTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE C - PATIENT RECEIVABLES

Patient receivables consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Patient receivables	\$ 1,041,127	\$ 1,089,392
Less allowance for doubtful accounts and contractual adjustments	<u>(929,620)</u>	<u>(1,002,744)</u>
Net receivables	<u>\$ 111,507</u>	<u>\$ 86,648</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 adjustments for the years ended December 31, 2011 and 2010, were \$951,508 and \$682,056, respectively.

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. Patient receivables are measured at fair value as determined net of bad debt charge offs and adjustments for an allowance amount.

NOTE D - GRANT RECEIVABLES

Grant receivables consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
<u>U.S. Dept. of Health and Human Services</u>		
Centers for Medicare and Medicaid Services (CMS)		
Medicaid - net	\$ 1,520,444 (2)	\$ 1,279,895 (1)
Health Resources and Services Administration (HRSA)		
ARRA - Capital Improvements Program (CIP)	-	38,147
Affordable Care Act Grant	35,000	-
<u>Florida Department of Health</u>		
Community Public Health - Charlotte Cty Dental - COH5M	61,281	58,594
Community Public Health - Lee County Dental - COH5M	65,104	58,800
Lee County Health Department		
Family Planning Services - Female Sterilization - LE119	-	2,100
Comprehensive Primary Health Care - LE122	<u>-</u>	<u>90,684</u>
	<u>\$ 1,681,829</u>	<u>\$ 1,528,220</u>

(1) \$1,279,895 includes \$772,513 in Medicaid wrap around funds for quarter 4/2010, which is also included in deferred revenue at December 31, 2010.

(2) \$1,520,444 includes \$870,037 in Medicaid wrap around funds for the fourth quarter of 2011.

With the exception of Medicaid receivables, management considers all grant receivables fully collectible at both December 31, 2011 and 2010.

Net Medicaid receivables at December 31, 2011 and 2010 include an allowance for uncollectible accounts of \$471,886 and \$338,255, 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

NOTE E - ASSETS HELD IN TRUST, CONTINUED

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>2011</u>	<u>2010</u>
457(b) deferred compensation plan	<u>\$ 145,990</u>	<u>\$ 82,416</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.
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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 units at \$125 per unit. Therefore, Family Health Centers' total investment in the LLC was \$467,400 at December 31, 2011 and 2010.

Several other health care organizations are also investors in the 150,000 units offered for sale by the LLC. At December 31, 2011 and 2010, Family Health Centers owned 7,170 units which comprised 5.21% 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:

	2011 <u>(Unaudited)</u>	2010 <u>(Audited)</u>
Current assets	\$ 5,850,678	\$ 27,485,976
Noncurrent assets	<u>10,002,562</u>	<u>359,314</u>
Total assets	<u>\$ 15,853,240</u>	<u>\$ 27,845,290</u>
Current liabilities	\$ 10,971,572	\$ 21,304,247
Member's equity	<u>4,881,668</u>	<u>6,541,043</u>
Total liabilities & member's equity	<u>\$ 15,853,240</u>	<u>\$ 27,845,290</u>

Condensed statements of operations are as follows for the LLC for the years ended December 31:

	2011 <u>(Unaudited)</u>	2010 <u>(Audited)</u>
Revenues	\$ 142,664,803	\$ 97,010,563
Expenses	<u>(144,686,593)</u>	<u>(94,266,133)</u>
EBITDA	(2,021,790)	2,744,430
Interest Income/Expense, Taxes, Depreciation and Amortization	<u>39,721</u>	<u>13,936</u>
Net Income (Loss)	<u>\$ (1,982,069)</u>	<u>\$ 2,758,366</u>

NOTE F - INVESTMENT IN LLC, CONTINUED

According to the subscription agreement, investments (level 3) 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. At December 31, 2011 and 2010, Family Health Centers believe their investments fair value to be approximately its recorded value (cost) of \$467,400 and has the intent and ability to hold the investment for the foreseeable future. Investment income received from the LLC during the years ended December 31, 2011 and 2010 totaled \$0 and \$71,700, respectively.

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2011</u>	<u>2010</u>
Land	\$ 1,412,548	\$ 1,412,548
Construction in process - Grand Avenue	2,427,605	81,262
Construction in process - Admin. building	-	48,221
Buildings and improvements	5,209,569	4,379,588
Leasehold improvements	158,372	352,809
Furniture and equipment	1,752,672	2,198,846
Furniture and equipment under capital lease	330,286	207,157
Vehicles	<u>95,101</u>	<u>84,388</u>
	11,386,153	8,764,819
Accumulated depreciation	<u>(4,079,332)</u>	<u>(4,401,047)</u>
	<u>\$ 7,306,821</u>	<u>\$ 4,363,772</u>

Assets held under capital lease consist of phone systems with original costs totaling \$330,286 and \$207,157 at December 31, 2011 and 2010, respectively.

Depreciation expense of \$41,538 and \$5,764 was recorded for the leased phone systems for the years ended December 31, 2011 and 2010, respectively (which is included in total depreciation expense). Accumulated depreciation on assets held under capital lease totaled \$47,302 and \$5,764 at December 31, 2011 and 2010, respectively and is included in total accumulated depreciation.

Depreciation expense for the years ended December 31, 2011 and 2010, was \$485,819 and \$706,365, respectively.

FAMILY HEALTH CENTERS OF SOUTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE H - ACCRUED LIABILITIES

Accrued liabilities consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Accrued compensated absences	\$ 815,691	\$ 725,285
Accrued salaries and wages	334,206	309,512
Accrued bonuses	305,805	329,428
Accrued pension	308,136	300,665
Payroll taxes and other liabilities	<u>90,929</u>	<u>79,083</u>
	<u>\$ 1,854,767</u>	<u>\$ 1,743,973</u>

NOTE I - DEFERRED REVENUE

Deferred revenue consists of the following at December 31:

	<u>2011</u>	<u>2010</u>
Federal and state grants:		
Medicaid wrap around - quarter 3/2010	\$ -	\$ 707,250 (1)
Medicaid wrap around - quarter 4/2010	-	772,513 (2)
Community Migrant Health Centers Grant	<u>35,000 (3)</u>	<u>-</u>
	<u>35,000</u>	<u>1,479,763</u>
Local grants and contracts:		
Low Income Pool Funds	-	91,705
Susan G. Komen Grant	<u>24,780</u>	<u>28,971</u>
	<u>24,780</u>	<u>120,676</u>
Total deferred revenue	<u>\$ 59,780</u>	<u>\$ 1,600,439</u>

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

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

(3) included in grants receivable at December 31, 2011

NOTE J - LINE OF CREDIT

In June 2011, 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, 2011, the interest rate was (at PRIME) 3.25%. The line of credit is uncollateralized and expires on June 28, 2012. The outstanding balance on the line of credit at December 31, 2011 and 2010 was \$0 and \$0, respectively. Family Health Center borrowed no amounts on the line of credit during the years ended December 31, 2011 or 2010.

FAMILY HEALTH CENTERS OF SOUTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE K - LONG-TERM DEBT

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

	<u>2011</u>	<u>2010</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.	\$ 123,247	\$ 275,139
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	85,358	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.	41,238	63,733
Capital lease (\$40,606) payable in 36 monthly installments of \$1,128, with interest at 0%. The obligation is collateralized by the respective personal property, which is phase three of a phone system. Final payment is due February 17, 2014.	29,326	-
Capital lease (\$82,523) payable in 36 monthly installments of \$2,292, with interest at 0%. The obligation is collateralized by the respective personal property, which is phase four of a phone system. Final payment is due June 14, 2014.	<u>66,478</u>	<u>-</u>
	345,647	470,788
Current Portion	<u>(233,343)</u>	<u>(111,593)</u>
Long-Term Portion	<u>\$ 112,304</u>	<u>\$ 359,195</u>

NOTE K - LONG-TERM DEBT, CONTINUED

Interest expense related to long-term debt was \$14,308 and \$39,281 (including interest expense incurred regarding the capital leases) for the years ended December 31, 2011 and 2010, respectively.

Principal maturities of long-term debt are as follows:

Year Ending December 31	Amount
2012	\$ 233,343
2013	98,586
2014	<u>13,718</u>
	<u>\$ 345,647</u>

NOTE L - SCHEDULE OF NET ASSETS

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

	<u>2011</u>	<u>2010</u>
Unrestricted - undesignated:		
General operations	\$10,761,852	\$ 4,895,750
Unrestricted - designated:		
Designated for capital assets	1,715,465	1,306,747
Designated for future operations	<u>7,070,151</u>	<u>6,028,148</u>
	<u>\$19,547,468</u>	<u>\$12,230,645</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>2011</u>	<u>2010</u>
Donated office space	\$ 36,000	\$ 50,023
Cash donations	<u>15,325</u>	<u>16,928</u>
	<u>\$ 51,325</u>	<u>\$ 66,951</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 maintained 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

Total contributions to the 401(a) plan for the year ended December 31, 2010 by Family Health Centers were \$585,410. There was no unfunded liability at December 31, 2010.

On December 15, 2010, Family Health Centers filed a Notice of Cessation of Contributions for the 401(a) plan. It was management's intent to merge the 401(a) Money Purchase Defined Contribution Plan with a new 401(a) Thrift Profit Sharing Plan during 2011. The new plan provides for regular monthly employer contributions and allows Family Health Centers to make additional discretionary contributions as approved.

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 the aforementioned discretionary contribution 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, was merged into the new 401(a) Thrift Profit Sharing Plan during 2011. The cessation of contributions will not affect the vested amounts held in participant accounts.

401(a) Thrift Profit Sharing Plan

In January 2011, Family Health Centers adopted a new defined contribution plan, effective February 1, 2011, which is available to all its employees provided they are at least 21 years of age and complete one year of qualified service. The new Plan requires employer contributions of 5% of the participant's (employee's) qualified compensation and allows Family Health Centers to make additional discretionary contributions as approved. 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.

Total required contributions to the 401(a) Thrift Profit Sharing Plan for the year ended December 31, 2011 were \$642,822. There was no unfunded liability at December 31, 2011.

NOTE O - PENSION PLANS, CONTINUED

401(a) Thrift Profit Sharing Plan, contined

At their February 22, 2012 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 for the year ended December 31, 2011. The total cost of the aforementioned discretionary contribution was \$235,351, which is included in fringe benefit expenses on the Statement of Functional Expenses for the year ended December 31, 2011 as well as an accrued liability. The discretionary 2% contribution was deposited into the new 401(a) thrift profit sharing plan during February 2012.

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, 2011 and 2010, by Family Health Centers were \$51,757 and \$28,947, respectively.

FAMILY HEALTH CENTERS OF SOUTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE P - FUNDRAISING COSTS

Family Health Centers incurred no specific fundraising costs during either the year ended December 31, 2011 or 2010.

NOTE Q - LEASE COMMITMENTS

Family Health Centers leases 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, 2011 and 2010, was \$927,984 and \$871,809, respectively.

Family Health Centers also leases (operating type) various office and medical equipment. Equipment rental expense for the years ended December 31, 2011 and 2010, was \$145,732 and \$127,552 respectively.

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

Year Ending December 31	Facility Leases	Equipment Leases	Totals
2012	\$ 901,918	\$ 52,023	\$ 953,941
2013	667,178	4,598	671,776
2014	618,938	125	619,063
2015	442,630	-	442,630
2016	253,779	-	253,779
	\$ 2,884,443	\$ 56,746	\$ 2,941,189

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, 2011 and 2010, approximately 87% and 87% of total support and revenue, respectively, was attributable to amounts received for the account classifications listed above.

FAMILY HEALTH CENTERS OF SOUTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010

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NOTE S - UNITED WAY REVENUE

Family Health Centers received contract awards from the United Way of Lee County for the years ended December 31, 2011 and 2010, of \$46,000 and \$64,000, respectively.

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, 2011 or 2010 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 ("DTFM") Center

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

The renovations to the Downtown Fort Myers Center improved the facility and maximized square footage devoted to clinical activities. In December 2011, the adult medicine department previously located on Broadway Avenue ("Broadway Medical") was relocated to the DTFM Center located on Grand Avenue.

Construction of the new administrative building was completed during 2011. As of December 31, 2011, construction-related costs totaling \$620,882 were incurred and capitalized.

NOTE U - COMMITMENTS, CONTINUED

Renovations to the Bus Station Annex building were also completed during 2011. As of December 31, 2011, renovation-related costs totaling \$209,099 were incurred and capitalized as building improvements.

Renovations to the Downtown Fort Myers Center were completed in March 2012. As of December 31, 2011, renovation-related costs totaling \$2,427,605 were incurred and capitalized as construction in process including a retainage payable of \$196,126.

The renovations to the former Bus Station Annex building and the Downtown Fort Myers Center were partially funded through the ARRA - Capital Improvements Program (CIP) grant. During the years ending December 31, 2010 and 2011, the grant provided funding totaling \$1,402,693 towards the renovation costs.

Commitment - land purchase

During November 2011, Family Health Centers entered into a contract to purchase approximately five (5) acres of land near Estero, Florida for \$800,000. A \$48,000 deposit was paid by Family Health Centers upon execution, which is included in prepaids and deposits on the Statement of Financial Position at December 31, 2011.

The original contract provides the buyer with a 180 day due diligence period to determine whether the property is suitable for the buyer's intended use. A contract addendum allows Family Health Centers to extend the due diligence period by an additional 30 days if written notice is provided prior to the expiration of the original due diligence period, and an additional \$10,000 is deposited into escrow.

It is the intention of Family Health Centers to construct a medical/dental facility on the Estero area property. A grant application was submitted to provide funding for the facility's construction.

NOTE V - FAIR VALUE MEASUREMENTS

In accordance with ASC 820, Family Health Centers uses fair value measurements to record adjustments to certain assets. The ASC 820 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." The Codification also sets out a fair value hierarchy ranking the levels of the inputs used as assumptions

NOTE V - FAIR VALUE MEASUREMENTS, CONTINUED

in the valuation techniques used to value an asset or liability. The fair value hierarchy gives the highest priority to quoted prices in an active market for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of hierarchy are described as follows:

Level 1 - inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date. As active market is a market in which transactions of the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted market prices of similar assets or liabilities in active markets, quoted market prices for identical or similar assets or liabilities in markets that are not active, and pricing models developed principally from inputs from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are unobservable and allowed in situations where there is little, if any, market activity for the asset or liability at measurement date. These inputs reflect the reporting entity's own assumptions about assumptions that would be used by market participants.

The table below presents assets and liabilities measured at fair value on a recurring basis by level within the hierarchy at December 31, 2011 and 2010:

<u>December 31, 2011</u>	<u>Total</u>	<u>Level1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Money market funds	\$11,595,056	\$ -	\$11,595,056	\$ -
Repurchase agreements	1,260,386	-	1,260,386	-
Assets held in trust - flexible premium annuity	145,990	-	-	145,990
Investment in LLC	467,400	-	-	467,100
	<u>\$13,468,832</u>	<u>\$ -</u>	<u>\$12,855,442</u>	<u>\$ 613,090</u>
Liabilities:				
Deferred Compensation (1)	<u>\$ 145,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,990</u>

NOTE V - FAIR VALUE MEASUREMENTS, CONTINUED

<u>December 31, 2010</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Money market funds	\$ 8,364,098	\$ -	\$ 8,364,098	\$ -
Repurchase agreements	657,365	-	657,365	-
Assets held in trust - flexible premium annuity	82,416	-	-	82,416
Investment in LLC	<u>467,400</u>	<u>-</u>	<u>-</u>	<u>467,400</u>
	<u>\$ 9,571,279</u>	<u>\$ -</u>	<u>\$ 9,021,463</u>	<u>\$ 549,816</u>
Liabilities:				
Deferred compensation (1)	<u>\$ 82,416</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,416</u>

(1) The fair value of these liabilities is based on the composite of the investment noted above.

Level 1: Family Health Centers had no such items at December 31, 2011 or 2010.

Level 2: Classifications consist of commingled funds where detailed holdings were available and the funds fair value could be determined based on market prices, such as money markets, repurchase agreements and certificates of deposits.

Level 3: classifications consist of the following:

Assets held in trust - are assets held in a 457(b) deferred compensations plan and are based on third party investment administrators valuation. Each employee's deferred compensation is held in an individual flexible annuity and valued by the investment company on a quarterly basis.

Investment in LLC - is the value of units of ownership of Prestige Health Choice, LLC held by Family Health Centers at December 31.

Deferred compensation - is an offsetting liability to the assets held in trust with respect to the 457(b) deferred compensation plan.

The changes in Level 3 assets and liabilities measured at fair value are attributable only to contributions and earnings relating to the 457(b) deferred compensation plan which is recorded as an asset and offsetting liability in the statements of financial position. Therefore, none of these changes are reflected in the statements of activities.

NOTE V - FAIR VALUE MEASUREMENTS, CONTINUED

Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, receivables, accounts payable and accrued expenses. The carrying amounts of these items approximate fair value due to the short term nature of the financial instruments.

SUPPLEMENTARY INFORMATION

FAMILY HEALTH CENTERS OF SOUTHWEST FLORIDA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
Year Ended December 31, 2011

Federal or State Agency & Office/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)		
Health Resources and Services Administration (HRSA)		
Consolidated Health Centers Grant	93.224	6H80CS00185-10-08
Affordable Care Act (ACA) Grants for New & Expanded Services Under the Health Center Program	93.557	6H80CS00185-10-08
MAJOR (Type A)		
Health Resources and Services Administration (HRSA)		
ARRA – Capital Improvements Program (CIP)	93.703	6C81CS14445-01-04
Centers for Medicare and Medicaid Services (CMS)		
Medicaid	93.778	n/a
NON-MAJOR (Type B)		
Office of Population Affairs		
State of Florida Department of Health Family Planning Services - Female Sterilization	93.217	LE119
TOTAL FEDERAL AWARDS		
<u>State of Florida Department of Health</u>		
MAJOR (Type A)		
Community Public Health - Lee County Dental Services	64.059	COH5M
Community Public Health - Charlotte County Dental Services	64.057	COH5M
Lee County Health Department Comprehensive Primary Health Care Services	Not Available *	LE122
TOTAL STATE FINANCIAL ASSISTANCE		
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE		

* - Not available; not provided by grantor

(1) Does not include receivables of \$35,000,
of which \$35,000 is deferred

<u>Program or Award Amount</u>	<u>Revenue</u>		<u>Expenditures</u>
\$ 4,401,352	\$ 4,401,352		\$ 4,401,352
2,926,288	2,891,288	(1)	2,891,288
2,262,430	1,358,400		1,358,400
n/a	22,878,853	(2)	22,878,853
<u>16,450</u>	<u>9,450</u>		<u>9,450</u>
<u>9,606,520</u>	<u>31,539,343</u>		<u>31,539,343</u>
907,668	236,321	(3)	236,321
907,668	264,636	(4)	264,636
<u>382,932</u>	<u>282,744</u>		<u>282,744</u>
<u>2,198,268</u>	<u>783,701</u>		<u>783,701</u>
<u>\$ 11,804,788</u>	<u>\$ 32,323,044</u>		<u>\$ 32,323,044</u>

(2) Includes receivables of \$1,520,444, of which \$870,037 were wrap around receivables.

(3) Includes receivables of \$65,104

(4) Includes receivables of \$61,281

FAMILY HEALTH CENTERS OF SOUTHWEST FLORIDA, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND STATE FINANCIAL ASSISTANCE
Year Ended December 31, 2011

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**



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

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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, 2011, and have issued our report thereon dated March 30, 2012. 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 of America.

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.

INTEGRITY SERVICE EXPERIENCE

12621 World Plaza Lane, Building 55 • Fort Myers, FL 33907 • Phone: (239) 333-2090 • Fax: (239) 333-2097

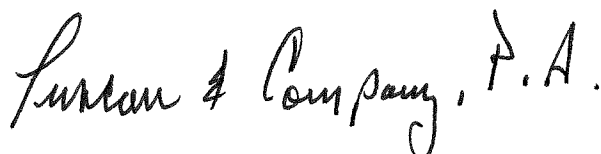
A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

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.



TUSCAN & COMPANY, P.A.

Fort Myers, Florida

March 30, 2012



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, 2011. 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

INTEGRITY SERVICE EXPERIENCE

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, 2011.

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 30, 2012

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

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> – Capital Improvements Program (CIP)
93.778	Medicaid

Dollar threshold used to distinguish between Type A and Type B programs? Threshold used was \$946,180

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

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 projects 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 projects (Type A and Type B):

<u>CSFA</u>	
<u>Number(s)</u>	<u>Name of State Project or Cluster</u>
64.059	Community Public Health - Lee County Dental Services (COH5M)
64.057	Community Public Health - Charlotte County Dental Services (COH5M)
not available	Comprehensive Primary Health Care Services - LE122

Dollar threshold used to distinguish between Type A and Type B projects? Threshold used was \$235,110

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, 2011, 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, 2011) 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.

INTEGRITY SERVICE EXPERIENCE

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 30, 2012

EXHIBIT



Family Health Centers
OF SOUTHWEST FLORIDA, INC.

April 25, 2012

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, 2011 and 2010 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