

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

CENTRAL FLORIDA HEALTH CARE, INC.

January 31, 2012

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Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance 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*, (pages 19-21), and Chapter 10.650, *State of Florida Rules of the Auditor General*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and state financial assistance is fairly stated in all material respects in relation to the financial statements taken as a whole.

Bucio, Gordinier & Company, P.A.

Tampa, Florida
June 19, 2012

Central Florida Health Care, Inc.

STATEMENT OF FINANCIAL POSITION

January 31, 2012
(With comparative total for 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total January 31, 2011</u>
ASSETS				
Cash and cash equivalents (notes A7 and E)	\$ 1,058,553	\$ -	\$ 1,058,553	\$ 643,023
Investment (notes B and E)	261,667	130,500	392,167	389,842
Patient receivables, net (notes A3 and C)	968,565	-	968,565	1,434,378
Contract and grant receivables	231,401	-	231,401	1,249,264
Other receivables	-	-	-	-
Inventory (note A8)	40,292	-	40,292	44,700
Prepaid expenses	77,843	-	77,843	63,244
	<u>2,638,321</u>	<u>130,500</u>	<u>2,768,821</u>	<u>3,824,451</u>
Total current assets				
Property and equipment, net of accumulated depreciation (notes A9, F and H)	5,096,036	-	5,096,036	4,859,881
Other assets	18,270	-	18,270	18,969
	<u>5,114,306</u>	<u>-</u>	<u>5,114,306</u>	<u>4,878,850</u>
TOTAL ASSETS	<u>\$ 7,752,627</u>	<u>\$ 130,500</u>	<u>\$ 7,883,127</u>	<u>\$ 8,703,301</u>
LIABILITIES AND NET ASSETS				
Notes payable to bank (note G)	\$ 224,992	\$ -	\$ 224,992	\$ 249,992
Current portion of long-term debt (note H)	73,559	-	73,559	70,391
Accounts payable	636,691	-	636,691	956,186
Accrued payroll and taxes	303,248	-	303,248	260,958
Deferred grant revenue	-	-	-	580,353
Other accrued expenses	336,332	-	336,332	321,045
	<u>1,574,822</u>	<u>-</u>	<u>1,574,822</u>	<u>2,438,925</u>
Total current liabilities				
Long-term debt (note H)	1,188,462	-	1,188,462	1,262,021
Commitments and contingencies (note K)	-	-	-	-
	<u>1,188,462</u>	<u>-</u>	<u>1,188,462</u>	<u>1,262,021</u>
Total liabilities	2,763,284	-	2,763,284	3,700,946
Net assets (note L)	4,989,343	130,500	5,119,843	5,002,355
	<u>4,989,343</u>	<u>130,500</u>	<u>5,119,843</u>	<u>5,002,355</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,752,627</u>	<u>\$ 130,500</u>	<u>\$ 7,883,127</u>	<u>\$ 8,703,301</u>

The accompanying notes are an integral part of this statement.

Central Florida Health Care, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended January 31, 2012
(With comparative total for 2011)

	Unrestricted	Temporarily Restricted	Total	Total January 31, 2011
PUBLIC SUPPORT AND REVENUE				
Public support				
Federal grants (notes K and L)	\$ 4,190,554	\$ -	\$ 4,190,554	\$ 4,725,699
State grants (note K)	734,483	-	734,483	49,954
Other contracts and grants (note K)	962,498	-	962,498	897,266
Other government support	1,369,356	-	1,369,356	1,014,337
Contributions	298,572	-	298,572	378,221
Total support	<u>7,555,463</u>	<u>-</u>	<u>7,555,463</u>	<u>7,065,477</u>
Net patient service revenue (note D)	9,073,474	-	9,073,474	9,493,704
Other revenue	84,654	-	84,654	128,740
	<u>9,158,128</u>	<u>-</u>	<u>9,158,128</u>	<u>9,622,444</u>
 Total support and revenue	 <u>16,713,591</u>	 <u>-</u>	 <u>16,713,591</u>	 <u>16,687,921</u>
EXPENSES				
Program services - medical	13,591,851	-	13,591,851	12,542,978
Supporting services - administrative	3,004,252	-	3,004,252	2,816,504
 Total expenses	 <u>16,596,103</u>	 <u>-</u>	 <u>16,596,103</u>	 <u>15,359,482</u>
 CHANGE IN NET ASSETS	 117,488	 -	 117,488	 1,328,439
Net assets at beginning of year	<u>4,871,855</u>	<u>130,500</u>	<u>5,002,355</u>	<u>3,673,916</u>
Net assets at end of year	<u>\$ 4,989,343</u>	<u>\$ 130,500</u>	<u>\$ 5,119,843</u>	<u>\$ 5,002,355</u>

The accompanying notes are an integral part of this statement.

Central Florida Health Care, Inc.

STATEMENT OF CASH FLOWS

For the year ended January 31, 2012

Cash flows from operating activities	
Change in net assets	<u>\$ 117,488</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	554,840
Unrealized gain on investments	(2,325)
Decrease in receivables	1,483,676
Decrease in inventory	4,408
Increase in prepaid expenses and other assets	(13,900)
Decrease in accounts payable	(319,495)
Increase in accrued expenses	57,577
Decrease in deferred revenues	<u>(580,353)</u>
Total adjustments	<u>1,184,428</u>
Net cash provided by operating activities	<u>1,301,916</u>
Cash flows from investing activities	
Capital expenditures	<u>(790,995)</u>
Net cash flows used in investing activities	<u>(790,995)</u>
Cash flows from financing activities	
Payments on note payable, net	(25,000)
Payments on long-term debt	<u>(70,391)</u>
Net cash flows used by financing activities	<u>(95,391)</u>
Net increase in cash	415,530
Cash and cash equivalents at beginning of year	<u>643,023</u>
Cash and cash equivalents at end of year	<u>\$ 1,058,553</u>
Supplemental disclosure of cash flow information	
Cash paid during the year - interest	<u>\$ 70,119</u>

The accompanying notes are an integral part of this statement.

Central Florida Health Care, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended January 31, 2012
(With comparative total for 2011)

	Program Services Medical	Support Services Administrative	Total Expenses	Total January 31, 2011
Salaries	\$ 5,994,004	\$ 1,627,107	\$ 7,621,111	\$ 7,009,887
Employee benefits	604,511	164,098	768,609	816,788
Payroll taxes	429,681	116,639	546,320	509,927
Total salaries and related expenses	7,028,196	1,907,844	8,936,040	8,336,602
Advertising and recruitment	19,422	3,733	23,155	28,747
Contract services	2,826,632	-	2,826,632	2,806,951
Dues and subscriptions	24,621	33,339	57,960	42,525
Insurance	89,769	55,253	145,022	87,403
Interest expense	28,055	32,934	60,989	68,350
Legal and accounting	-	126,301	126,301	123,649
Licenses and taxes	-	38,808	38,808	24,229
Marketing	3,661	1,965	5,626	7,813
Meeting and travel	47,908	47,908	95,816	120,062
Occupancy	394,166	117,738	511,904	320,774
Office expense	34,001	78,624	112,625	69,603
Postage	966	20,353	21,319	19,650
Printing	115,855	42,028	157,883	128,201
Professional fees	202,477	40,214	242,691	161,277
Repairs and maintenance	161,245	161,697	322,942	526,062
Subgrant expense account	11,830	-	11,830	56,211
Supplies - medical, dental and pharmacy	716,213	-	716,213	604,889
Supplies	80,064	11,605	91,669	98,053
In-kind expense	287,209	10,814	298,023	364,230
Telephone	165,637	25,564	191,201	146,317
Training	26,253	14,513	40,766	32,567
Utilities	229,240	68,474	297,714	211,451
Total functional expenses before depreciation and amortization, and provision for uncollectible accounts	12,493,420	2,839,709	15,333,129	14,385,616
Depreciation and amortization	390,297	164,543	554,840	525,688
Provision for uncollectible accounts	708,134	-	708,134	448,178
Total expenses	<u>\$13,591,851</u>	<u>\$ 3,004,252</u>	<u>\$16,596,103</u>	<u>\$ 15,359,482</u>

The accompanying notes are an integral part of this statement.

Central Florida Health Care, Inc.

NOTES TO FINANCIAL STATEMENTS

January 31, 2012

NOTE A - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A brief description of the organization and a summary of its significant accounting policies consistently applied in the preparation of the accompanying financial statements follow:

1. Nature of the Organization

Central Florida Health Care, Inc. ("CFHC") is a primary care safety net for thousands of people in rural/urban Polk, Hardee and Highlands Counties. CFHC's clinics are located in communities designated as medically underserved because access to health care is a major problem due to poverty, lack of insurance, or other social and cultural barriers. CFHC currently operates clinics located in Frostproof, Wauchula, Dundee, Avon Park, Lakeland, Winter Haven, and Lake Wales, Florida.

CFHC's services are available without regard to race, age, gender or economic status. No one is denied necessary health care services because of their verified inability to pay. When other specialized services are required, CFHC systematically refers to other providers with follow up. A sliding fee scale (based on federal/state poverty guidelines) is used to determine the amount the patient should pay for services.

CFHC's services include: a wide-range of one-stop, cost-effective, affordable primary and preventive medical (obstetrics, pediatrics, adult), dental services, essential ancillary services, including nursing, radiology, laboratory and hospitalization as well as crucial health education, nutrition counseling, prescription medicine, translation and community outreach.

CFHC's funding sources include: federal assistance, contracts with the State of Florida and local governments, Medicare, Medicaid, other third party insurance companies, local agreements with companies for Workers' Compensation, drug screenings and employment physicals, and payments received from patients at its clinics.

2. Significant Accounting Policies

The accounting and reporting policies of CFHC conform to accounting principles generally accepted in the United States of America, and are in accordance with the auditing and accounting guide issued by the American Institute of Certified Public Accountants, *Audits of Not-For-Profit Organizations*. The financial statements of Central Florida Health Care, Inc. are the representation of management and include estimates of amounts and judgments it believes are reasonable under the circumstances.

3. Basis of Accounting/Patient Service Revenue

CFHC prepares its financial statements on the accrual basis of accounting. Patient service revenue is recorded at the net realizable amounts from patients, third-party payors and others for services provided at established rates with sliding fee adjustments and Medicare and Medicaid contractual allowances deducted to determine net patient service revenue. Sliding fee adjustments are determined based on the patients' income and ability to pay.

Central Florida Health Care, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

January 31, 2012

NOTE A - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contractual adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered. Final settlements are adjusted in future periods, if necessary. CFHC believes an adequate provision for contractual adjustments has been made for all open periods (see note C).

4. FASB ASC 958-605 and 958-205

CFHC adheres to the provisions of Financial Accounting Standards Board, *Accounting Standards Codification* ("FASB ASC").

FASB ASC 958-605 requires CFHC to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. It also requires recognition of contributed services meeting certain criteria at fair values.

FASB ASC 958-205 establishes standards for general purpose external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities, and a statement of cash flows.

5. Fund Accounting

To ensure observance of the provisions of FASB ASC 958-205, *Presentation of Statements of Not-For-Profit Organizations*, CFHC utilizes fund accounting, whereby resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes.

The assets, liabilities and net assets of CFHC are reported in self-balancing fund groups as follows:

Unrestricted - accounts for all resources over which the board of directors has discretionary control in carrying on CFHC's operations.

Temporarily Restricted - accounts for funds whose use is specifically restricted by grantors and donors.

6. Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions. When the restrictions are met within the same reporting period as the related revenue, the revenue or support is reported as unrestricted.

Central Florida Health Care, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

January 31, 2012

NOTE A - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Cash Equivalents

Cash equivalents consist of highly liquid short-term money market instruments with a maturity of three months or less when purchased.

8. Inventory

Inventory consists of pharmaceutical drugs and is stated at lower of cost (first-in, first-out method) or market.

9. Property and Equipment

Property and equipment are recorded at cost, or if donated, at fair value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets, ranging generally from 3 - 30 years.

Maintenance, repairs and minor renewals are expensed in the year the expense is incurred. Additions, improvements and major renewals are capitalized. CFHC's policy is to capitalize property and equipment with a cost of \$1,000 or more.

The cost of assets retired or sold, together with the related accumulated depreciation, is removed from the accounts, and any gain or loss is included in operations in the year of disposal.

10. Income Taxes

CFHC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. CFHC is a not-for-profit Florida corporation and therefore is not subject to state income taxes. Accordingly, no income tax liability has been recorded in the financial statements. CFHC has not reported any unrelated business income; however, such status is subject to determination upon examination, if any, of the related income tax returns by appropriate taxing authorities.

CFHC is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax years after 2008 remain subject to examination by federal and state taxing authorities.

11. Compensated Absences

CFHC's policy is to pay employees upon termination for unused annual leave. Employees are eligible to receive payment for up to 224 hours of their unused annual leave. Accrued compensated absences are approximately \$303,000 as of January 31, 2012.

Central Florida Health Care, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

January 31, 2012

NOTE A - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

12. Functional Expenses

The costs of providing program services and other activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program services and supporting services benefited.

13. Advertising Costs

CFHC's policy is to expense advertising and marketing costs as incurred.

14. Comparative Information

The financial statements include certain prior period summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CFHC's financial statements for the year ended January 31, 2011, from which the summarized information was derived.

NOTE B - INVESTMENT

CFHC's investment is recorded at fair value and consists of a certificate of deposit of \$392,167 at January 31, 2012.

NOTE C - PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable are unsecured and are due from local patients and third party payors as follows at January 31, 2012:

Patient	\$ 2,481
Medicare, Medicaid and other insurance	<u>3,359,797</u>
	3,362,278
Allowance for contractual adjustments and uncollectible amounts	<u>(2,393,713)</u>
Net accounts receivable	<u>\$ 968,565</u>

Central Florida Health Care, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

January 31, 2012

NOTE D - NET PATIENT SERVICE REVENUE

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

- Medicare - Outpatient services rendered to Medicare beneficiaries are paid based on a cost reimbursement methodology. CFHC is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by CFHC and audits thereof by the Medicare fiscal intermediary. CFHC's Medicare cost reports have been audited by the Medicare fiscal intermediary through January 31, 2011.
- Medicaid - Outpatient services rendered to Medicaid eligible participants. Payment rates are adjusted annually by the State of Florida.

CFHC's net patient service revenue consisted of the following at January 31, 2012:

Medicaid	\$ 9,268,323
Medicare	579,939
Patient	4,982,643
Other third party payors	3,147,029
Pharmacy	<u>2,924,811</u>
	20,902,745
Less third-party payor, contractual and sliding-fee adjustments	<u>(11,829,271)</u>
Net patient service revenue	<u>\$ 9,073,474</u>

NOTE E - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board ASC 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement), a middle priority to quoted prices for similar assets or liabilities (level 2 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Central Florida Health Care, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

January 31, 2012

NOTE E - FAIR VALUE MEASUREMENTS - Continued

Following is a description of the valuation methodologies used for assets measured at fair value at January 31, 2012:

Cash and cash equivalents: Consist of deposits and money market accounts with financial institutions. CFHC uses quoted market prices of identical assets on active exchanges, or Level 1 measurements.

Investment: Consists of a certificate of deposit and is valued at quoted market prices of similar assets on active exchanges, or Level 2 measurements.

The methods described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while CFHC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, CFHC's investment assets measured at fair value on a recurring basis at January 31, 2012:

	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	\$1,058,553	\$ -	\$ -	\$1,058,553
Investment	\$ -	\$ 392,167	\$ -	\$ 392,167

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at January 31, 2012:

Land	\$ 490,266
Buildings and improvements	6,044,945
Furniture and equipment	3,711,024
Motor vehicles	135,279
	<u>10,381,514</u>
Less accumulated depreciation	<u>(5,285,478)</u>
	<u>\$ 5,096,036</u>

Central Florida Health Care, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

January 31, 2012

NOTE G - NOTES PAYABLE TO BANK

Notes payable to bank consisted of the following line of credit at January 31, 2012:

\$250,000 revolving line of credit, collateralized by accounts receivable, interest at prime plus 1 (4.25% at January 31, 2012), with monthly payment of interest only, principal and accrued interest due August 2012	<u>\$ 224,092</u>
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NOTE H - LONG-TERM DEBT

Long-term debt consisted of the following at January 31, 2012:

Promissory note payable to the U.S. Department of Agriculture Rural Development, collateralized by buildings and improvements, annual payments of \$130,350, including principal and interest at 4.5%, beginning July 2001, due July 2024	\$ 1,262,021
Less current maturities	<u>(73,559)</u>
	<u>\$ 1,188,462</u>

Principal maturities on long-term debt are as follows:

<u>Year ending January 31,</u>	
2013	\$ 73,559
2014	76,869
2015	80,328
2016	83,943
2017	87,721
Thereafter	<u>859,601</u>
	<u>\$ 1,262,021</u>

NOTE I - PENSION PLAN

CFHC maintains a 401(a) noncontributory defined contribution pension plan that covers all employees who are at least twenty-one years of age and have completed one year of service with over 1,000 hours of work in that year. Employees vest in employer contributions to the plan based upon years of service, becoming fully vested after six years.

Central Florida Health Care, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

January 31, 2012

NOTE I - PENSION PLAN - Continued

CFHC makes contributions to the plan on a two-tier basis:

First, if an eligible employee contributes to the deferred compensation plan (described later in this note), CFHC will match the employee's contribution up to 3% of a capped aggregate amount of \$75,000, funds permitting.

Second, any remaining funds budgeted by CFHC for pension expense, above the amount needed to match employee contributions, will be allocated to eligible employees on a pro-rata basis.

CFHC made no contribution to this plan during the year ended January 31, 2012.

CFHC also offers its employees a 403(b) deferred compensation plan. The plan, available to all employees of CFHC, permits them to defer a portion of their salary until future years, subject to IRS limitations. Deferred compensation distributions are not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE J - CONCENTRATION OF CREDIT RISK

Concentration of Credit Risk

CFHC has clinics located in Avon Park, Frostproof, Dundee, Lakeland, Wauchula, Lake Wales, and Winter Haven, Florida. A substantial portion of CFHC's patients are covered by government-supported programs, such as Medicare and Medicaid. Decreased government funding of these programs could have an adverse effect on CFHC's operations. In addition, any significant decrease in CFHC's federal grants would have an adverse effect on operations.

CFHC derives a significant portion of its patient service revenue from federal grants, Medicaid, Medicare, private insurance and other health maintenance organizations. CFHC's total public support and revenue for the year ended January 31, 2012 consisted of the following approximate percentages:

Federal grants	25%
State and local grants	10%
Medicare	2%
Medicaid	38%
Patient self pay and HMOs	10%
Pharmacy	5%
Other	<u>10%</u>
	<u>100%</u>

Central Florida Health Care, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

January 31, 2012

NOTE J - CONCENTRATION OF CREDIT RISK - Continued

CFHC maintains deposits in excess of federally insured limits. Current accounting standards identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk.

NOTE K - COMMITMENTS AND CONTINGENCIES

1. Grant Agreements

CFHC receives federal grant awards from the U.S. Department of Health and Human Services (HHS). CFHC received direct grants of \$4,190,554 for the grant year ended January 31, 2012. CFHC has been awarded a grant of \$4,035,624 for the grant period ending January 31, 2013.

As noted, CFHC receives a substantial amount of its support from HHS. A significant reduction in the level of this support, if this were to occur, may have an effect on CFHC's activities.

Grants require the fulfillment of certain conditions set forth in the grant agreement. Failure to fulfill or comply with the conditions could result in the return of funds to the grantor. Although this is a possibility, CFHC considers the contingency remote.

CFHC's property and equipment have been purchased with funds provided by federal grants and operational funding. The federal regulations, which are applicable to all grant funds received governing rural health organizations, stipulate that the federal government can recover its proportionate share of any proceeds obtained through sale or liquidation of any property or equipment that was fully or partially purchased with federal funds. There are no imminent plans for the sale or liquidation of property or equipment.

CFHC also received a one-time notice of federal grant award from the U.S. Department of Health and Human Services (HHS). CFHC received this direct grant of \$666,192 for the two-year period of March 2009 to March 2011. These funds may not be used to support any costs related to construction. Amounts totaling \$21,192 related to this grant award have been recognized for the year ended January 31, 2012.

CFHC received an additional one time notice of federal grant award from the U.S. Department of HHS. CFHC received this direct grant of \$1,451,095 for the two-year period of June 29, 2009 to June 28, 2011. However, this award was extended through June 30, 2012. These funds are to be used for capital improvement projects. Amounts totaling \$354,725 related to this grant award have been recognized for the year ended January 31, 2012.

2. Leases

CFHC conducts a portion of their operations in leased facilities and leases certain office and medical equipment. All leases are classified as operating leases.

Central Florida Health Care, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

January 31, 2012

NOTE K - COMMITMENTS AND CONTINGENCIES - Continued

The following is a schedule of approximate future minimum lease payments under such operating leases expiring at various dates through 2017:

<u>Year ending January 31,</u>	
2013	\$ 498,000
2014	498,000
2015	461,000
2016	442,000
2017	210,000
Thereafter	<u>373,000</u>
	<u>\$ 2,482,000</u>

Rent expense for office space and equipment for the year ended January 31, 2012 was approximately \$512,000.

NOTE L - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$130,500 at January 31, 2012 are held as a stipulation of the promissory note payable to the U.S. Department of Agriculture - Rural Development to maintain an amount equal to an annual payment as restricted funds.

NOTE M - SUBSEQUENT EVENTS

CFHC has evaluated events and transactions occurring subsequent to January 31, 2012 as of June 19, 2012, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE

CENTRAL FLORIDA HEALTH CARE, INC.

For the year ended January 31, 2012

Central Florida Health Care, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE

For the year ended January 31, 2012

Grantor/Program Title	CFDA/ CFSA#	Award/Project Identification #	Expenditures
Federal			
U.S. Department of Health and Human Services			
Bureau of Primary Health Care			
Community Health and Migrant Health Centers			
Community and Migrant Health	93.224	6H80CS00423-10-02	\$ 2,239,007
Affordable Care Act for New and Expanded Services under the Health Center Program	93.527	6H80CS00423-10-02	\$ 1,575,630
American Recovery and Reinvestment Act			
Health Center Integrated Services Development Initiative			
Increase Services to Health Centers	ARRA-93.703	6H8BCS11802-01-01	21,192
Capital Improvement Program	ARRA-93.703	6C81CS13845-01-03	<u>354,725</u>
Total expenditures of federal awards			<u>\$ 4,190,554</u>
State			
Florida Department of Health			
Pass-through Central Florida Area Health Education Center Program of Nova Southeastern University			
Community Health Workers	N/A	N/A	15,000
Tobacco Cessation	64.055	COHTP	6,250
Dental Services Grant	64.115	COH8H	<u>713,233</u>
Total state financial assistance			<u>\$ 734,483</u>
Total of federal awards and state financial assistance			<u>\$ 4,925,037</u>

The accompanying notes are an integral part of this schedule.

Central Florida Health Care, Inc.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

January 31, 2012

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal grant and state project activity of Central Florida Health Care, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations* and Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE B - CONTINGENCIES

These federal programs and state projects are subject to financial and compliance audits by grantor agencies which, if instances of material noncompliance are found, may result in disallowed expenditures and affect CFHC's continued participation in specific programs. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although CFHC expects such amounts, if any, to be immaterial.

SCHEDULE OF CONTRACT AND GRANT ACTIVITY

CENTRAL FLORIDA HEALTH CARE, INC.

For the year ended January 31, 2012

Central Florida Health Care, Inc.

SCHEDULE OF CONTRACT AND GRANT ACTIVITY

For the year ended January 31, 2012

Federal grants

U.S. Department of Health and Human Services	\$3,814,637
U.S. Department of Health and Human Services American Recovery and Reinvestment Act	<u>375,917</u>
Total federal grants	<u>4,190,554</u>

State of Florida grants

Department of Health Tobacco Cessation	6,250
Dental Services	713,233
Community Health Workers	<u>15,000</u>
Total state grants	<u>734,483</u>

County, local and other grants and contracts

Highlands County Health Facility Authority Health Services Grant	5,000
Nova Southeastern University, Inc. Area Health Education Center Program	8,750
Rural and Underserved Training Program	50,000
Polk County Board of County Commissioners Health Services Grant	343,175
Low Income Pool - local match	539,455
Other	<u>16,118</u>
Total other grants and contracts	<u>962,498</u>
Total grant and contract revenue	<u>\$5,887,535</u>

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

CENTRAL FLORIDA HEALTH CARE, INC.

January 31, 2012



RIVERO, GORDIMER & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Member
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Florida Institute of Certified Public Accountants
Cesar J. Rivero Sam A. Lazzara
Herman V. Lazzara Stephen G. Douglas
Marc D. Sasser Michael E. Helton
Richard B. Gordimer, of Counsel

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

Board of Directors
Central Florida Health Care, Inc.

We have audited the financial statements of Central Florida Health Care, Inc. ("CFHC") as of and for the year ended January 31, 2012, and have issued our report thereon, dated June 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CFHC'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 for the information and use of management, the Board of Directors, others within the entity, grantor agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bucio, Gordinier & Company, P.A.

Tampa, Florida
June 19, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL
PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND CHAPTER 10.650, *RULES OF THE AUDITOR GENERAL*

CENTRAL FLORIDA HEALTH CARE, INC.

January 31, 2012



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND
MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM
AND STATE PROJECT AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

Board of Directors
Central Florida Health Care, Inc.

Compliance

We have audited Central Florida Health Care, Inc.'s ("CFHC") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the Florida Department of Financial Services State Projects Compliance Supplement, that could have a direct and material effect on each of its major federal programs and state projects for the year ended January 31, 2012. CFHC's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of CFHC's management. Our responsibility is to express an opinion on CFHC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, *Rules of the Auditor General*. Those standards and OMB Circular A-133 and Chapter 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 a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about CFHC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of CFHC's compliance with those requirements.

In our opinion, CFHC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended January 31, 2012.

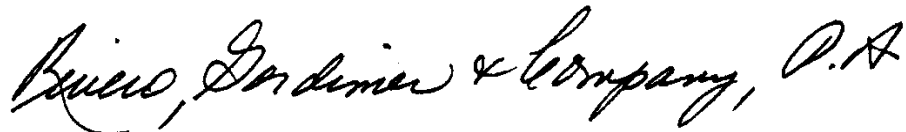
Internal Control Over Compliance

Management of CFHC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs and State projects. In planning and performing our audit, we considered CFHC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state project to determine the 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 CFHC'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 a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 management, the Board of Directors, others within the entity, federal and state awarding agencies and pass-through entities and 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 "Benicio, Gordinier & Company, P.A." The signature is written in a cursive, flowing style.

Tampa, Florida
June 19, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CENTRAL FLORIDA HEALTH CARE, INC.
January 31, 2012

Central Florida Health Care, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended January 31, 2012

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting
 Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards and State Financial Assistance

Internal control over major federal programs and state projects
 Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Type of auditors' report issued on compliance for
 federal major programs and state projects Unqualified

Any audit findings disclosed that are required to be
 reported in accordance with section 510(a) of
 OMB Circular A-133 and Chapter 10.650,
Rules of the Auditor General? yes X no

Identification of major federal programs and state projects:

Federal

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.224	U.S. Department of Health and Human Services Bureau of Primary Health Care Community and Migrant Health Centers
93.527	Affordable Care Act Grants for New and Expanded Services
ARRA - 93.703	ARRA - Health Center Integrated Services Development Initiative

State

<u>CSFA Number</u>	<u>Name of State Project</u>
64.115	Florida Department of Health Dental Services Grant

Dollar threshold used to distinguish between type A
 and type B programs \$ 300,000

Auditee qualified as low-risk auditee? X yes no

Central Florida Health Care, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended January 31, 2012

Section II - Financial Statement Findings

No matters were reported for the year ended January 31, 2012 or January 31, 2011.

Section III - Federal Award Findings and Questioned Costs

No matters were reported for the year ended January 31, 2012 or January 31, 2011.

A summary schedule of prior year audit findings is not presented because there were no prior year audit findings.

MANAGEMENT LETTER
CENTRAL FLORIDA HEALTH CARE, INC.
For the year ended January 30, 2012



RIVERO, GORDIMER & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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Richard B. Gordimer, of Counsel	

MANAGEMENT LETTER

Board of Directors
Central Florida Health Care, Inc.

We have audited the financial statements of Central Florida Health Care, Inc. ("CFHC") as of and for the fiscal year ended January 30, 2012, and have issued our report thereon, dated June 19, 2012.

We conducted our audit 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 of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General*, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, dated June 19, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, *Rules of the Auditor General*, which requires disclosure in the management letter of violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements or state project amounts that is less than material, but more than inconsequential. In addition, for matters that have an inconsequential effect on the financial statements or state project amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, and (2) deficiencies in internal control that are not significant deficiencies. Our audit disclosed no matters required to be disclosed by the *Rules of the Auditor General* (Section 10.654 (1)(e)).

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Tampa, Florida
June 19, 2012