

HEART OF FLORIDA HEALTH CENTER, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 AND 2012

HEART OF FLORIDA HEALTH CENTER, INC.
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SEPTEMBER 30, 2013 AND 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Heart of Florida Health Center, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Heart of Florida Health Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2013 and 2012, and the related statements of activities, and cash flows for the years then ended and the related notes to the financial statements. We have audited the accompanying statement of functional expenses for the year ended September 30, 2013.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heart of Florida Health Center, Inc., as of September 30, 2013 and 2012, the changes in its net assets and its cash flows for the years then ended, and the functional expenses for the year ended September 30, 2013, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

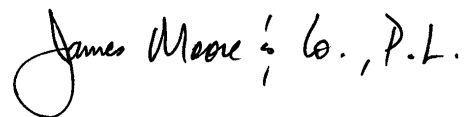
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Heart of Florida Health Center, Inc.'s September 30, 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 8, 2013. In our opinion, the summarized comparative information presented for the statement of functional expenses for the year ended September 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2014 on our consideration of Heart of Florida Health Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Heart of Florida Health Center, Inc.'s internal control over financial reporting and compliance.

James Moore & Co., P.L.

Gainesville, Florida
February 26, 2014

**HEART OF FLORIDA HEALTH CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2013 AND 2012**

| | 2013 | 2012 |
|--|--------------|--------------|
| <u>ASSETS</u> | | |
| Current assets | | |
| Cash and cash equivalents | \$ 2,245,982 | \$ 2,129,248 |
| Patient receivables, net of allowance for doubtful accounts of \$710,000 and \$560,000 in 2013 and 2012, respectively | 252,426 | 113,396 |
| Other receivables | - | 13,974 |
| Grant receivable | 375,000 | 375,000 |
| Estimated third party settlements receivable | 12,562 | 54,323 |
| Prepaid expenses | 84,448 | 76,547 |
| Total current assets | 2,970,418 | 2,762,488 |
| Other assets | 94,626 | 25,000 |
| Property and equipment, net | 436,259 | 419,186 |
| Total Assets | \$ 3,501,303 | \$ 3,206,674 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current liabilities | | |
| Capital lease payable - current portion | \$ - | \$ 1,953 |
| Accounts payable | 96,265 | 290,375 |
| Accrued expenses | 354,865 | 130,599 |
| Total current liabilities | 451,130 | 422,927 |
| Capital lease payable, less current portion | - | 567 |
| Total liabilities | 451,130 | 423,494 |
| Net Assets | | |
| Temporarily Restricted | 1,500 | - |
| Unrestricted, undesignated | 3,008,673 | 2,783,180 |
| Unrestricted, designated | 40,000 | - |
| Total net assets | 3,050,173 | 2,783,180 |
| Total Liabilities and Net Assets | \$ 3,501,303 | \$ 3,206,674 |

The accompanying notes to the financial statements
are an integral part of these statements.

HEART OF FLORIDA HEALTH CENTER, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

| | 2013 | | | 2012 Total |
|--|---------------------|---------------------------|---------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total | |
| Support and revenue | | | | |
| Patient service revenue, net of contractual allowances and discounts | \$ 2,049,139 | \$ - | \$ 2,049,139 | \$ 1,523,800 |
| Provision for bad debts | (150,000) | - | (150,000) | (86,415) |
| Net patient service revenue less provision for bad debts | 1,899,139 | - | 1,899,139 | 1,437,385 |
| Federal support | 868,584 | - | 868,584 | 764,926 |
| State grant | 2,131,843 | - | 2,131,843 | 1,670,543 |
| Local support | 349,125 | - | 349,125 | 406,445 |
| Other contracts and support | 702,217 | - | 702,217 | 1,010,697 |
| Contributions | 1,911 | 1,500 | 3,411 | 2,705 |
| In-kind donations | 604,752 | - | 604,752 | 289,597 |
| Interest income | 3,450 | - | 3,450 | 3,056 |
| Gain on sale of investment | 32,773 | - | 32,773 | - |
| Miscellaneous income | 3,940 | - | 3,940 | 3,440 |
| | <u>6,597,734</u> | <u>1,500</u> | <u>6,599,234</u> | <u>5,588,794</u> |
| Expenses | | | | |
| Program services: | | | | |
| Medical | 3,928,318 | - | 3,928,318 | 2,176,555 |
| Dental | 244,678 | - | 244,678 | 217,805 |
| Patient support | 550,943 | - | 550,943 | 325,169 |
| Enabling services | 397,253 | - | 397,253 | 361,080 |
| Supporting services: | | | | |
| Administrative | 1,211,049 | - | 1,211,049 | 746,725 |
| | <u>6,332,241</u> | <u>-</u> | <u>6,332,241</u> | <u>3,827,334</u> |
| Increase in net assets | <u>265,493</u> | <u>1,500</u> | <u>266,993</u> | <u>1,761,460</u> |
| Net assets, beginning of year | 2,783,180 | - | 2,783,180 | 1,021,720 |
| Net assets, end of year | <u>\$ 3,048,673</u> | <u>\$ 1,500</u> | <u>\$ 3,050,173</u> | <u>\$ 2,783,180</u> |

The accompanying notes to the financial statements
are an integral part of these statements.

HEART OF FLORIDA HEALTH CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(WITH COMPARATIVE TOTALS FOR 2012)

| | Medical | Dental | Patient Support | Enabling Services | Administrative | 2013 Total | 2012 Total |
|--|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|
| Salaries and benefits | \$ 2,472,987 | \$ 189,184 | \$ 382,567 | \$ 334,029 | \$ 601,902 | \$ 3,980,669 | \$ 2,284,975 |
| Bank fees | - | - | - | - | 10,330 | 10,330 | 7,771 |
| Community relations | - | - | - | - | 3,900 | 3,900 | - |
| Consulting fees | 52,046 | - | - | - | 73,666 | 125,712 | 231,603 |
| Depreciation | 66,257 | 8,234 | 19,136 | 7,290 | 10,933 | 111,850 | 55,266 |
| Dues and subscriptions | - | - | - | - | 8,675 | 8,675 | 14,999 |
| Electronic medical records and billing service | 101,989 | 5,513 | 38,590 | 13,782 | 22,052 | 181,926 | 117,690 |
| Hardware and software support | - | - | - | - | 12,735 | 12,735 | 14,503 |
| Insurance | 53,332 | 4,848 | - | - | 60,695 | 118,875 | 74,132 |
| Interest | - | - | - | - | - | - | 452 |
| Janitorial | - | - | - | - | 17,730 | 17,730 | 18,603 |
| Laboratory fees | 168,732 | - | - | - | - | 168,732 | 79,984 |
| Lease expense | - | - | - | - | 67,908 | 67,908 | - |
| Licensing fees | 1,926 | - | - | - | - | 1,926 | 4,818 |
| Medical and dental supplies | 50,216 | 14,913 | - | - | - | 65,129 | 55,885 |
| Other | - | - | - | - | - | - | 5,716 |
| Patient service and support | 903 | - | - | - | - | 903 | 2,657 |
| Pharmaceuticals | - | - | - | - | - | - | 3,263 |
| Professional fees | - | - | - | - | 46,188 | 46,188 | 19,279 |
| Promotional | - | 174 | - | - | 7,523 | 7,697 | 7,289 |
| Radiology | 505,162 | - | - | - | - | 505,162 | 419,046 |
| Recruiting and hiring | 3,724 | - | - | - | 31,116 | 34,840 | 11,312 |
| Repairs and maintenance | 4,295 | - | - | - | 4,062 | 8,357 | 9,485 |
| Small equipment | 5,329 | - | - | - | 21,995 | 27,324 | - |
| Staff development and training | - | 360 | - | - | 18,629 | 18,989 | 16,785 |
| Supplies and office expense | 67,166 | 4,841 | - | - | 39,227 | 111,234 | 38,152 |
| Telephone expense | 987 | - | - | - | 50,353 | 51,340 | 15,060 |
| Travel | 352 | 804 | - | - | 10,237 | 11,393 | 5,999 |
| Utilities | - | - | - | - | 27,965 | 27,965 | 22,265 |
| In-kind expenses | 372,915 | 15,807 | 110,650 | 42,152 | 63,228 | 604,752 | 288,805 |
| Loss on disposal of property | - | - | - | - | - | - | 1,540 |
| | <u>\$ 3,928,318</u> | <u>\$ 244,678</u> | <u>\$ 550,943</u> | <u>\$ 397,253</u> | <u>\$ 1,211,049</u> | <u>\$ 6,332,241</u> | <u>\$ 3,827,334</u> |

The accompanying notes to the financial statements are an integral part of this statement.

HEART OF FLORIDA HEALTH CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

| | 2013 | 2012 |
|---|--------------|--------------|
| Cash flows from operating activities | | |
| Increase in net assets | \$ 266,993 | \$ 1,761,460 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation | 111,850 | 55,266 |
| Loss on disposition of assets | - | 1,540 |
| (Increase) decrease in certain assets: | | |
| Patient accounts receivable | (139,030) | (14,406) |
| Grant receivable | - | (375,000) |
| Other receivables | 13,974 | 47,800 |
| Estimated third-party payor settlements receivable | 41,761 | (50,355) |
| Prepaid expenses | (7,901) | (32,122) |
| Other assets | (69,626) | - |
| Increase (decrease) in certain liabilities: | | |
| Accounts payable | (194,110) | 124,626 |
| Accrued expenses | 224,266 | 52,289 |
| Deferred revenue | - | (408,333) |
| Net cash provided by operating activities | 248,177 | 1,162,765 |
| Cash flows used by investing activities | | |
| Purchase of equipment | (128,923) | (229,140) |
| Cash flows used in financing activities | | |
| Payments on capital lease obligation | (2,520) | (1,847) |
| Net increase in cash and cash equivalents | 116,734 | 931,778 |
| Cash and cash equivalents, beginning of year | 2,129,248 | 1,197,470 |
| Cash and cash equivalents, end of year | \$ 2,245,982 | \$ 2,129,248 |

The accompanying notes to the financial statements
are an integral part of these statements.

HEART OF FLORIDA HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

(1) **Summary of Significant Accounting Policies:**

(a) **Organization**—Effective August 26, 2008, Community Health Services of Marion County, Inc. legally changed its name to Heart of Florida Health Center, Inc.

Heart of Florida Health Center, Inc. (the Organization) is a not-for-profit primary care unit which provides medical services to Marion County residents, but in particular to those residents who would not otherwise be able to access their services due to financial limitations and/or lack of insurance.

(b) **Basis of financial reporting**—The Organization's financial statements have been prepared in accordance with generally accepted accounting principles as established by the Financial Accounting Standards Board.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The Organization records all revenues and gains that are spent in the same fiscal year as unrestricted revenue. Any amounts not spent are recorded as either temporarily restricted or permanently restricted revenue if donor restrictions exist.

Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets—Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. As of September 30, 2013 and 2012, there were \$1,500 and \$0 temporarily restricted net assets, respectively.

Permanently restricted net assets—Net assets subject to donor-imposed stipulations that will not be met by either actions of the Organization or the passage of time. As of September 30, 2013 and 2012, there were no permanently restricted net assets.

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

(d) **Patient accounts receivable**—Patient accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient accounts receivable.

(e) **Other receivables**—Receivables are recorded by the Organization for funds to be received from various contracts or other sources as revenues are earned. An allowance for uncollectible receivables has not been recorded as all amounts are deemed collectible.

HEART OF FLORIDA HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

(1) **Summary of Significant Accounting Policies:** (Continued)

(f) **Grant receivable**—The grant receivable of the Organization is due from the State of Florida, Agency for Healthcare Administration. Management has concluded that realization of losses on balances outstanding at year-end will be immaterial.

(g) **Other assets**—The Organization owns 150 and 250 provider units in a Florida limited liability company at \$100 per unit at September 30, 2013 and 2012, respectively. This asset is valued at cost as they have less than an 20% interest in the entity. During 2013, the Organization recognized a gain of \$32,773 on the sale of 100 units. Additionally, at September 30, 2013, other assets includes a deposit of \$75,000 for the acquisition of property. Subsequent to year-end, however, the deposit was refunded to the organization as a deal was not finalized.

(h) **Property and equipment**—The Organization capitalizes at cost, all expenditures for property and equipment in excess of \$1,000. Contributed assets are recorded at fair market value at the time received, if determinable. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the assets ranging from three to twenty years.

Intangible property purchased by the Organization is stated at cost and amortized over a three year useful life.

(i) **Third-party contractual adjustments**—Retroactively calculated third-party contractual adjustments are accrued on an estimated basis in the period the related services are rendered. Net patient service revenue is adjusted as required in subsequent periods based on final settlements.

(j) **Net patient service revenue**—The Organization recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Organization’s uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Organization records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized during the fiscal year from these major payor sources, is as follows:

Patient Service Revenue, Net of Contractual Allowance and Discounts

| | 2013 | 2012 |
|----------------------|--------------|--------------|
| Medicaid | \$ 991,754 | \$ 914,652 |
| Medicare | 130,062 | 129,931 |
| Self-Pay/Sliding fee | 828,594 | 407,860 |
| Private/Commercial | 98,729 | 71,357 |
| Total | \$ 2,049,139 | \$ 1,523,800 |

Patient services rendered to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports. The cost reports are subject to audit and adjustment by Medicare. The Organization’s Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2012.

HEART OF FLORIDA HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

(1) **Summary of Significant Accounting Policies:** (Continued)

Revenue from the Medicaid and Medicare programs accounted for approximately 49% and 6%, respectively, of the Organization's net patient revenue for the year ended September 30, 2013, and approximately 60% and 9%, respectively, of the Organization's net patient revenue for the year ended September 30, 2012. Laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. In 2013 and 2012, there is no material effect on net patient service revenue after final settlements with Medicare or Medicaid.

(k) **Charity care**—The Organization has a policy of providing charity care to patients who are unable to pay. Such patients are charged fees based upon a sliding fee schedule based upon poverty guidelines. Since management does not expect payment for charity care, the estimated charges are excluded from patient service revenues.

(l) **Functional allocation of expenses**—Certain costs have been directly allocated among the program and supporting services in order to report on a functional basis. To maintain accountability of program expenses and to comply with the Bureau of Common Reporting Requirements (BCRR), management has established the following functional cost centers; medical, dental, patient support, other enabling, and administrative.

(m) **Income taxes**—The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income earned in the furtherance of the Organization's tax-exempt purpose is exempt from federal and state income taxes and the financial statements contain no provision or liability for income taxes. The Organization files income tax returns in the U.S. federal jurisdiction. The Organization's returns for the past three years are subject to examination by tax authorities and may change upon examination. The Organization has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Organization.

(n) **Cash and cash equivalents**—For purposes of reporting cash flows, cash and cash equivalents include only investments with original maturities of three months or less.

(o) **In-kind contributions**—Contributions of services shall be recognized if the services received (a) create or enhance nonfinancial assets or (b) required specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services and contributions are recorded at their estimated fair-market value when received by the Organization. For the fiscal year ending September 30, 2013, the Organization received pharmaceutical items which have been valued at \$77,850. For the fiscal year ending September 30, 2012, the Organization received other services which have been valued at \$5,880. Additionally, the Organization obtained the right for the use of medical and office space that is provided without charge to the Organization from Marion County and has been valued at \$526,902 and \$282,925 for the fiscal year ending September 30, 2013 and 2012, respectively.

(p) **Medical malpractice insurance**—The Organization has medical malpractice insurance through a commercial carrier. Any provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

HEART OF FLORIDA HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

(1) **Summary of Significant Accounting Policies:** (Continued)

(q) **Comparative data**—The amounts shown for the year ended September 30, 2012 in the statement of functional expenses are included to provide a basis for comparison with 2013 and present summarized totals only. Accordingly, the 2012 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Center’s financial statements for the year ended September 30, 2012, from which the summarized information was derived.

(r) **Subsequent events**—The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through February 26, 2014, the date the financial statements were available to be issued. In October 2013, the Organization was awarded a New Access Point grant in the amount of \$316,667 to open a new location in Marion County. Additionally, on December 13, 2013, the Organization purchased a local medical practice from an employed physician based on an independent appraisal for \$500,000. No other subsequent events have been recognized or disclosed.

(s) **Reclassifications**—Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation. These reclassifications had no effect on net income for 2012.

(2) **Property, Plant and Equipment:**

Property, plant and equipment were comprised of the following at September 30:

| | <u>2013</u> | <u>2012</u> |
|--|-------------------|-------------------|
| Furniture and fixtures | \$ 19,222 | \$ 12,712 |
| Computers and software | 442,299 | 178,304 |
| Leasehold improvements | 101,545 | 84,410 |
| Medical and dental equipment | 143,948 | 149,864 |
| | <u>707,014</u> | <u>425,290</u> |
| Less: Accumulated depreciation | (270,755) | (158,905) |
| | <u>436,259</u> | <u>266,385</u> |
| Assets not placed in service | - | 152,801 |
| Total property, plant and equipment, net | <u>\$ 436,259</u> | <u>\$ 419,186</u> |

Depreciation expense for the years ended September 30, 2013 and 2012, was \$111,850 and \$55,266, respectively.

(3) **Medical Malpractice Claims:**

The Organization obtains professional and general liability insurance to cover medical malpractice claims. To the extent that any claims-made coverage is not renewed or replaced with equivalent insurance, claims based on occurrences during the term of such coverage, but reported subsequently, would be uninsured. Based on the Organization’s incident reporting system, management is currently not aware of any instances that will give rise to a claim. Management anticipates that the claims-made coverage currently in place will be renewed or replaced with equivalent insurance as the term of such coverage expires.

HEART OF FLORIDA HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

(4) **Retirement Plan:**

The Organization has a defined contribution retirement plan for the benefit of all employees who are at least 18 years old. The plan qualifies under Section 401(k) of the Internal Revenue Code, thereby allowing eligible employees to make tax deductible contributions to the plan. The plan provides for an employer contribution of 3%. The Organization's contribution to the plan for the fiscal years ended September 30, 2013 and 2012, was \$94,365 and \$51,564, respectively. Amounts expensed in the current year are included in salaries and benefits.

(5) **Related Party Transactions:**

The Board of Directors includes members who are employees of Munroe Regional Medical Center (MRMC) and Ocala Regional Medical Center (ORMC). MRMC and ORMC provided support for both fiscal years ending September 30, 2013 and 2012, as indicated below. Other in-kind support received by the Organization from the two hospitals is in the form of discounted radiology services, MIS support, and maintenance at no charge; however, a value of this support has not been determined and is not included in the accompanying financial statements.

| | 2013 | 2012 |
|-------|-------------|-------------|
| MRMC | \$ 405,000 | \$ 652,500 |
| ORMC | 190,000 | 190,000 |
| Total | \$ 595,000 | \$ 842,500 |

(6) **Sources of Funding Received from Munroe Regional Medical Center:**

Marion County has a contract with the State of Florida through its Agency for Health Care Administration (AHCA) to participate in local Government Intergovernmental Transfers (IGT) related to the Low Income Pool (LIP) program in order to secure additional funds for Marion County Agencies. This arrangement enables these agencies to provide additional services to low income individuals through the provision of health services for Medicaid, uninsured and under-insured people of Marion County and the State of Florida. These amounts are designated in the Marion County Budget as "Aid to AHCA." In fiscal year ending September 30, 2013 and 2012, Marion County sent \$349,125 and \$347,935, respectively related to "Heart of Florida Health Center" to secure matching funds for the participating hospital, Munroe Regional Medical Center (MRMC).

Source of Funds received by Heart of Florida

| | 2013 | 2012 |
|-----------------------------|-------------|--------------|
| MRMC | \$ 405,000 | \$ 652,500 |
| Marion County (Aid to AHCA) | 349,125 | 347,935 |
| Total | \$ 754,125 | \$ 1,000,435 |

(7) **Charity Care:**

The Organization has a policy of providing charity care to patients who are unable to pay for services. These services, which are excluded from revenues, amounted to approximately \$2,456,000 and \$1,949,000 in 2013 and 2012, respectively. Charity care represented approximately 43% of visits in 2013 and 55% of visits in 2012.

HEART OF FLORIDA HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

(8) **Concentrations of Credit Risk:**

Information related to significant concentrations of credit risk for financial instruments owned by the Organization is as follows:

(a) **Demand deposits with banks**—The Organization had demand deposits with a local bank with bank balances amounting to \$2,322,576 and \$2,134,658 at September 30, 2013 and 2012, respectively. The Organization does have a deposit policy for custodial credit risk which mandates that cash in interest bearing accounts that exceed the FDIC limit be immediately transferred to the non-interest bearing account to maintain FDIC coverage. Further, the Organization has enrolled its main operational account into a nightly repurchase agreement with a national bank. The repurchase agreement allows the demand deposits in these accounts to be invested in the bank’s U.S. government securities portfolio. At September 30, 2013 and 2012, \$4,574 and \$1,844 was uninsured, respectively.

(b) **Patient receivables**—Patients receivables are unsecured obligations of patients, private and commercial insurance companies, Medicare and Medicaid. Management recognizes that receivables from Medicaid and Medicare are significant, but does not believe that there are significant credit risks associated with government agencies. The mix of receivables from patients and third-party payors at September 30 was as follows:

| | 2013 | 2012 |
|----------------------|-------------|-------------|
| Medicaid | 49% | 18% |
| Medicare | 6 | 8 |
| Self pay/Sliding fee | 9 | 49 |
| Private/Commercial | 36 | 25 |
| | 100% | 100% |

(9) **Contingencies:**

The Organization received a substantial amount of its funding from federal grants, Ocala Regional Medical Center, Munroe Regional Medical Center, and the Marion County Board of County Commissioners. A significant reduction in level of this support, if this were to occur, may have a significant effect on Heart of Florida’s program services.

Grants require the fulfillment of certain conditions set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to grantors. Although this is a possibility, the Board and management deems the contingency remote, since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants.

(10) **Commitments:**

The Organization leases office and networking equipment under operating leases with varying expirations for total annual lease payments of approximately \$74,000. Lease expense for the equipment was \$67,908 and \$0 for the years ended September 30, 2013 and 2012, respectively.

HEART OF FLORIDA HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

(10) **Commitments:** (Continued)

Future minimum lease payments required under the above non-cancelable leases as of September 30, 2013, for each of the next five years and in the aggregate are as follows:

| <u>Year Ending September 30,</u> | <u>Amount</u> |
|--------------------------------------|-------------------|
| 2014 | \$ 74,153 |
| 2015 | 74,153 |
| 2016 | 50,493 |
| 2017 | - |
| 2018 | - |
| Thereafter | - |
| | <u>\$ 198,799</u> |

SUPPLEMENTARY INFORMATION

**HEART OF FLORIDA HEALTH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

| <u>Program Title</u> | <u>CFDA Number</u> | <u>Expenditures</u> |
|---|------------------------|---------------------|
| U.S. Department of Health and Human Services | | |
| Community Health Centers | 93.224 | \$ 868,584 |
| Total U.S. Department of Health and Human Services | | <u>\$ 868,584</u> |

Note 1: Summary of Significant Policies - The Schedule of Expenditures of Federal Awards utilizes the same basis of accounting as the basic financial statements.

**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**

To the Board of Directors,
Heart of Florida Health Center, Inc.:

We have audited 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, the financial statements of Heart of Florida Health Center, Inc. (the Organization), which comprise the statement of financial position as of September 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated February 26, 2014.

Internal Control over Financial Reporting

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

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

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

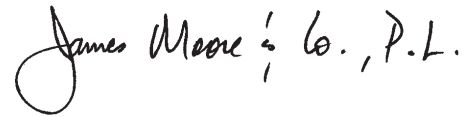
We noted certain matters that we reported to management of the Organization in a separate letter dated February 26, 2014.

Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is enclosed in a thin yellow rectangular border.

Gainesville, Florida
February 26, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors,
Heart of Florida Health Center, Inc.:

Report on Compliance for Each Major Federal Program

We have audited Heart of Florida Health Center, Inc.'s (the Organization) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Heart of Florida Health Center, Inc.'s major federal programs for the year ended September 30, 2013. Heart of Florida Health Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Heart of Florida Health Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

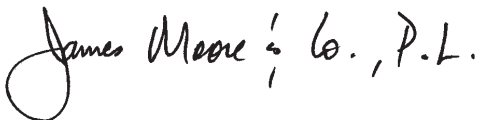
Report on Internal Control Over Compliance

Management of Heart of Florida Health Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Heart of Florida Health Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Heart of Florida Health Center, 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 on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



James Moore & Co., P.L.

Gainesville, Florida
February 26, 2014

**HEART OF FLORIDA HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Section I. Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes 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 Section 510(a) of Circular A-133? Yes No

Identification of major programs: CFDA No. 93.224 Health Center Community Health Centers

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

Auditee qualified as a low-risk auditee? Yes No

HEART OF FLORIDA HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(Continued)

**Section II. Findings relating to the Financial Statements
Which are Required to be Reported in
Accordance with *Government Auditing Standards*:**

None

**Section III. Findings and Questions Costs for Federal
Awards:**

None

**Section IV. Prior Audit Findings and Corrective Action Plan
for Federal Awards for the Year Ended
September 30, 2012:**

No prior audit findings for federal awards