

**HEART OF FLORIDA HEALTH CENTER, INC.**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012 AND 2011**

**HEART OF FLORIDA HEALTH CENTER, INC.**  
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**SEPTEMBER 30, 2012 AND 2011**

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JAMES MOORE & CO., P.L.  
CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying statements of financial position of Heart of Florida Health Center, Inc. (a nonprofit organization) as of September 30, 2012 and 2011, and the related statements of activities, and cash flows for the years then ended. We have audited the accompanying statement of functional expenses for the year ended September 30, 2012. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information on the statement of functional expenses has been derived from Heart of Florida Health Center, Inc.'s 2011 financial statements and, in our report dated January 17, 2012, we expressed an unqualified opinion on those financial statements.

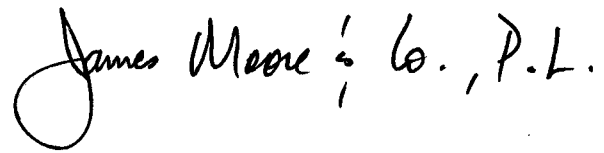
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heart of Florida Health Center, Inc. as of September 30, 2012 and 2011, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2013, on our consideration of Heart of Florida Health Center, Inc.'s internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

Our audits were 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

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A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, looped initial "J".

Gainesville, Florida  
January 8, 2013

**HEART OF FLORIDA HEALTH CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b><u>ASSETS</u></b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,129,248	\$ 1,197,470
Patient receivables, net of allowance for doubtful accounts of \$560,000 2012 and 2011	113,396	98,990
Other receivables	13,974	61,774
Grant receivable	375,000	-
Estimated third party settlements receivable	54,323	3,968
Prepaid expenses	76,547	44,425
Total current assets	2,762,488	1,406,627
<b>Other asset</b>	25,000	25,000
<b>Property and equipment, net</b>	419,186	246,852
<b>Total Assets</b>	<b>\$ 3,206,674</b>	<b>\$ 1,678,479</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current liabilities</b>		
Capital lease payable - current portion	\$ 1,953	\$ 1,847
Accounts payable	290,375	165,749
Accrued expenses	130,599	78,310
Deferred revenue	-	408,333
Total current liabilities	422,927	654,239
<b>Capital lease payable, less current portion</b>	567	2,520
Total liabilities	423,494	656,759
<b>Net Assets</b>		
Unrestricted	2,783,180	1,021,720
Total net assets	2,783,180	1,021,720
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,206,674</b>	<b>\$ 1,678,479</b>

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, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b>Support and revenue</b>		
Patient service revenue, net of contractual allowances and discounts	\$ 1,523,800	\$ 725,747
Provision for bad debts	(86,415)	(218,232)
Net patient service revenue less provision for bad debts	1,437,385	507,515
Federal support	764,926	814,704
State grant	1,670,543	1,179,093
Local support	406,445	432,732
Other contracts and support	1,010,697	335,028
In-kind donations	292,302	431,593
Interest income	3,056	2,636
Miscellaneous income	3,440	2,729
	5,588,794	3,706,030
<b>Expenses</b>		
Program services:		
Medical	2,156,676	1,510,176
Dental	217,805	49,449
Mental health	19,879	27,012
Patient support	325,169	634,066
Facility	32,606	39,054
Enabling services	361,080	61,484
Supporting services:		
Administrative	714,119	682,934
	3,827,334	3,004,175
<b>Increase in net assets</b>	1,761,460	701,855
<b>Net assets, beginning of year</b>	1,021,720	319,865
<b>Net assets, end of year</b>	\$ 2,783,180	\$ 1,021,720

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, 2012**  
**(WITH COMPARATIVE TOTALS FOR 2011)**

	<b>Medical</b>	<b>Dental</b>	<b>Mental Health</b>	<b>Patient Support</b>	<b>Facility</b>	<b>Enabling Services</b>	<b>Administrative</b>	<b>2012 Total</b>	<b>2011 Total</b>
Salaries and benefits	\$ 1,163,316	\$ 172,176	\$ -	\$ 192,989	\$ 12,399	\$ 284,901	\$ 459,194	\$2,284,975	\$1,609,047
Bank fees	-	-	-	-	-	-	7,771	7,771	-
Consulting fees	150,851	-	14,175	8,623	-	52,618	5,336	231,603	33,552
Depreciation	25,607	10,641	1,553	8,818	-	1,633	7,014	55,266	35,504
Dues and subscriptions	-	-	-	-	-	-	14,999	14,999	10,348
Electronic medical records and billing service	60,022	4,708	1,177	31,776	-	5,884	14,123	117,690	80,725
Hardware and software support	7,397	580	145	3,916	-	1,740	725	14,503	5,276
Insurance	57,812	3,250	-	-	1,604	-	11,466	74,132	52,704
Interest	-	-	-	-	-	-	452	452	741
Laboratory fees	79,984	-	-	-	-	-	-	79,984	155,125
Licensing fees	-	-	-	-	-	-	4,818	4,818	1,913
Medical and dental supplies	40,972	14,913	-	-	-	-	-	55,885	48,243
Other	-	-	-	-	-	-	5,716	5,716	3,480
Patient service and support	-	-	-	2,657	-	-	-	2,657	8,488
Pharmaceuticals	3,263	-	-	-	-	-	-	3,263	2,070
Professional fees	-	-	-	-	-	-	19,279	19,279	17,907
Promotional	-	-	-	-	-	-	7,289	7,289	2,958
Radiology	419,046	-	-	-	-	-	-	419,046	375,696
Recruiting and hiring	-	-	-	-	-	-	11,312	11,312	4,496
Repairs and maintenance	-	-	-	-	-	-	9,485	9,485	7,613
Service contracts	-	-	-	-	18,603	-	-	18,603	27,758
Small equipment	-	-	-	-	-	-	-	-	16,234
Staff development and training	-	-	-	-	-	-	16,785	16,785	12,239
Supplies and office expense	4,114	220	-	-	-	158	33,660	38,152	21,173
Telephone and utility expense	-	-	-	-	-	-	37,325	37,325	37,395
Travel	-	-	-	-	-	-	5,999	5,999	3,565
In-kind expenses	144,292	11,317	2,829	76,390	-	14,146	39,831	288,805	429,925
Loss on disposal of property	-	-	-	-	-	-	1,540	1,540	-
	<u>\$ 2,156,676</u>	<u>\$ 217,805</u>	<u>\$ 19,879</u>	<u>\$ 325,169</u>	<u>\$ 32,606</u>	<u>\$ 361,080</u>	<u>\$ 714,119</u>	<u>\$3,827,334</u>	<u>\$3,004,175</u>

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

**HEART OF FLORIDA HEALTH CENTER, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 1,761,460	\$ 701,855
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	55,266	35,504
Loss on disposition of assets	1,540	-
(Increase) decrease in certain assets:		
Patient accounts receivable	(14,406)	(17,859)
Grant receivable	(375,000)	-
Other receivables	47,800	(15,914)
Estimated third-party payor settlements receivable	(50,355)	99,292
Prepaid expenses	(32,122)	(11,455)
Other assets	-	(25,000)
Increase (decrease) in certain liabilities:		
Accounts payable	124,626	30,113
Accrued expenses	52,289	6,089
Deferred revenue	(408,333)	408,333
Net cash provided by operating activities	1,162,765	1,210,958
<b>Cash flows used by investing activities</b>		
Redemption of certificate of deposit	-	25,000
Purchase of equipment	(229,140)	(123,175)
Net cash flows used in investing activities	(229,140)	(98,175)
<b>Cash flows used in financing activities</b>		
Payments on capital lease obligation	(1,847)	(1,771)
<b>Net increase in cash and cash equivalents</b>	931,778	1,111,012
<b>Cash and cash equivalents, beginning of year</b>	1,197,470	86,458
<b>Cash and cash equivalents, end of year</b>	\$ 2,129,248	\$ 1,197,470
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid	\$ 452	\$ 741

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, 2012 AND 2011**

(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, 2012 and 2011, there were no temporarily restricted net assets.

*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, 2012 and 2011, 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, 2012 AND 2011**

(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 asset**—The Organization purchased 250 provider units in a Florida limited liability company at \$100 per unit. This asset is valued at cost as they have less than an 20% interest in the entity. Subsequent to year-end a portion of this investment was sold for approximately \$43,000.

(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) **Deferred revenue**—Deferred revenue represents grant revenues which have been received, but for which the prescribed services have not yet been completed. These revenues will be recognized in income when these services are completed.

(j) **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.

(k) **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**

	<b>2012</b>	<b>2011</b>
Medicaid	\$ 914,652	\$ 238,632
Medicare	129,931	47,756
Self-Pay/Sliding fee	407,860	395,412
Private/Commercial	71,357	43,947
Total	\$ 1,523,800	\$ 725,747

**HEART OF FLORIDA HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012 AND 2011**

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

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, 2011.

Revenue from the Medicaid and Medicare programs accounted for approximately 60% and 9%, respectively, of the Organization's net patient revenue for the year ended September 30, 2012, and approximately 33% and 7%, respectively, of the Organization's net patient revenue for the year ended September 30, 2011. 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 2012 and 2011, there is no material effect on net patient service revenue after final settlements with Medicare or Medicaid.

(l) **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.

(m) **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, mental health, patient support, facility, other enabling, and administrative.

(n) **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.

(o) **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.

(p) **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, 2012, the Organization received other services which have been valued at \$5,880. For the fiscal year ending September 30, 2011, the Marion County Health Department provided a full-time physician to work at the

**HEART OF FLORIDA HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012 AND 2011**

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

Organization which has been valued at \$147,000. 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 \$282,925 for both fiscal years.

(q) **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.

(r) **Comparative data**—The amounts shown for the year ended September 30, 2011 in the statement of functional expenses are included to provide a basis for comparison with 2012 and present summarized totals only. Accordingly, the 2011 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, 2011, from which the summarized information was derived.

(s) **Subsequent events**—The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through January 8, 2013, the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed, other than the event included in Note (1)(g).

(t) **Reclassifications**—Certain amounts in the 2011 financial statements have been reclassified to conform to the 2012 presentation. These reclassifications had no effect on net income for 2011.

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

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

	<b>2012</b>	<b>2011</b>
Furniture and fixtures	\$ 12,712	\$ 16,307
Computers and software	178,304	169,063
Leasehold improvements	84,410	73,231
Medical and dental equipment	<u>149,864</u>	<u>93,945</u>
	425,290	352,546
Less: Accumulated depreciation	<u>(158,905)</u>	<u>(105,694)</u>
	266,385	246,852
Assets not placed in service	<u>152,801</u>	<u>-</u>
Total property, plant and equipment, net	<u><u>\$ 419,186</u></u>	<u><u>\$ 246,852</u></u>

Depreciation expense for the years ended September 30, 2012 and 2011, was \$55,266 and \$35,505, respectively.

(3) **Capital Leases:**

During 2009, the Organization leased equipment under a capital lease at a cost of \$5,066 expiring December 2013. Accumulated depreciation in the statements of financial position included \$2,473 and \$1,749 relating to the leased equipment for the years ended September 30, 2012 and 2011, respectively.

**HEART OF FLORIDA HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012 AND 2011**

(3) **Capital Leases:** (Continued)

Depreciation expense reporting in the statement of activities includes \$724 for the equipment under capital lease for each of the years ended September 30, 2012 and 2011. Future minimum lease payments under capital lease as of September 30, 2012, were as follows:

<b>Year ending September 30,</b>	<b>Minimum Lease Payments</b>
2013	\$ 2,146
2014	579
Total minimum lease payments	2,725
Less: Amount representing interest	(205)
Present value of net minimum lease payment	\$ 2,520

The implicit interest rate included in the capital lease is 12.80%.

(4) **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.

(5) **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, 2012 and 2011, was \$51,564 and \$33,927, respectively. Amounts expensed in the current year are included in salaries and benefits.

(6) **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, 2012 and 2011, 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.

	<b>2012</b>	<b>2011</b>
MRMC	\$ 652,500	\$ 400,000
ORMC	190,000	190,000
Total	\$ 842,500	\$ 590,000

**HEART OF FLORIDA HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012 AND 2011**

(7) **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, 2012 and 2011, Marion County sent \$347,935 and \$360,975, 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**

	<b>2012</b>	<b>2011</b>
MRMC	\$ 652,500	\$ 400,000
Marion County (Aid to AHCA)	347,935	360,975
Total	\$ 1,000,435	\$ 760,975

(8) **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 \$1,949,000 and \$1,824,000 in 2012 and 2011, respectively. Charity care represented approximately 55% of visits in 2012 and 71% of visits in 2011.

(9) **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 \$2,134,658 and \$1,256,331 at September 30, 2012 and 2011, respectively. The Organization has no policy requiring collateral to support these deposits, although amounts are federally insured up to FDIC limits. At September 30, 2012 and 2011, \$1,844 and \$103 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:

	<b>2012</b>	<b>2011</b>
Medicaid	18%	84%
Medicare	8	4
Self pay/Sliding fee	49	9
Private/Commercial	25	3
	100%	100%

**HEART OF FLORIDA HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012 AND 2011**

(10) **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.

## **SUPPLEMENTARY INFORMATION**



**HEART OF FLORIDA HEALTH CENTER, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<u>Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<b>U.S. Department of Health and Human Services</b>		
Community Health Centers	93.224	\$ 764,926
<b>Total U.S. Department of Health and Human Services</b>		<u>\$ 764,926</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.

JAMES MOORE & CO., P.L.  
CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

**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 the financial statements of Heart of Florida Health Center, Inc. (the Organization) as of and for the year ended September 30, 2012, and have issued our report thereon dated January 8, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

Management of Heart of Florida Health Center, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Heart of Florida Health Center, Inc.'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 the Heart of Florida Health Center, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization'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 significant deficiencies or material weaknesses. We did not identify. Any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

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

This report is intended solely for the information and use of board of directors, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*James Moore & Co., P.L.*

Gainesville, Florida  
January 8, 2013

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

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

**Compliance**

We have audited Heart of Florida Health Center, Inc.'s (the Organization) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Heart of Florida Health Center, Inc.'s major federal programs for the year ended September 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Heart of Florida Health Center, Inc.'s management. Our responsibility is to express an opinion on Heart of Florida Health Center, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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. Our audit does not provide a legal determination of Heart of Florida Health Center, Inc.'s compliance with those requirements.

In our opinion, Heart of Florida Health Center, Inc. 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 for the year ended September 30, 2012.

**Internal Control Over Compliance**

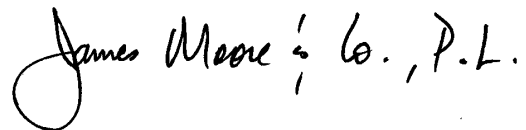
Management of Heart of Florida Health Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Heart of Florida Health Center, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose

of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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.

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 board of directors, management, others within the entity, and federal 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 "James Moore & Co., P.L.". The signature is written in a cursive style with a large, prominent loop at the beginning of the word "James".

Gainesville, Florida  
January 8, 2013

**HEART OF FLORIDA HEALTH CENTER, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS PROGRAMS  
FOR THE YEAR ENDED SEPTEMBER 30, 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 that are not considered to be material weakness(es)?        Yes   X   None Reported

Noncompliance material to financial statements noted?        Yes   X   No

**Federal Awards**

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?        Yes   X   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?   X   Yes        No

**HEART OF FLORIDA HEALTH CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS PROGRAMS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

(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, 2011:**

No prior audit findings for federal awards