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January 30, 2014

Board of Directors
ECHO Community Health Care, Inc.
315 Mulberry Street
Evansville, IN 47713

We have reviewed the audit report prepared by Crowe Horwath, LLP, Independent Public Accountants, for the period January 1, 2009 to December 31, 2009. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the ECHO Community Health Care, Inc., as of December 31, 2009, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

ECHO COMMUNITY HEALTH CARE, INC.

FINANCIAL STATEMENTS

December 31, 2009 and 2008

ECHO COMMUNITY HEALTH CARE, INC.

FINANCIAL STATEMENTS
December 31, 2009 and 2008

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
ECHO Community Health Care, Inc.
Evansville, IN

We have audited the accompanying balance sheets of ECHO Community Health Care, Inc. ("Center") as of December 31, 2009 and 2008, and the related statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of ECHO Community Health Care, Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 ECHO Community Health Care, Inc. as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated , on our consideration of the Center'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 *Governmental 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 taken as a whole. The accompanying schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Crowe Horwath LLP

Indianapolis, Indiana

ECHO COMMUNITY HEALTH CARE, INC.
BALANCE SHEETS
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 620,512	\$ 800,250
Investments	848,403	1,014,534
Patient accounts receivable, net of allowance for uncollectible accounts: 2009 - \$62,112; 2008 - \$82,672	321,410	149,679
Estimated amounts due from Medicaid	122,239	74,562
Grants receivable	102,861	101,962
Inventory	-	3,163
Prepaid expenses and other	<u>37,178</u>	<u>47,661</u>
Total current assets	2,052,603	2,191,811
Property and equipment, net (Note 3)	<u>2,876,063</u>	<u>1,970,975</u>
Total assets	<u>\$ 4,928,666</u>	<u>\$ 4,162,786</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 68,550	\$ 402,567
Current portion of long-term debt	-	12,258
Deferred revenue	117,938	32,476
Accrued vacation	80,797	82,753
Accrued payroll	202,966	182,566
Accrued expenses	<u>47,449</u>	<u>43,958</u>
Total current liabilities	517,700	756,578
Long-term debt	-	269,198
Net assets		
Unrestricted	<u>4,410,966</u>	<u>3,137,010</u>
Total liabilities and net assets	<u>\$ 4,928,666</u>	<u>\$ 4,162,786</u>

See accompanying notes to financial statements.

ECHO COMMUNITY HEALTH CARE, INC.
 STATEMENTS OF OPERATIONS
 Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Unrestricted revenue, gains and other support		
Support		
Federal grants	\$ 1,928,509	\$ 1,635,743
State grants	1,435,564	1,582,972
Local grants	46,658	63,465
Local grants - Welborn	180,000	513,200
United Way	112,227	107,172
Gifts in kind	<u>361,780</u>	<u>316,988</u>
	4,064,738	4,219,540
Net patient service revenue	2,137,297	1,698,925
Fundraising	16,260	21,283
Interest and dividends	33,650	48,800
Bad debt recovery	-	4,445
Other	<u>108,902</u>	<u>63,080</u>
Total unrestricted revenues, gains and other support	6,360,847	6,056,073
Expenses		
Salaries and wages	3,313,763	3,194,639
Employee benefits	498,435	490,216
Supplies	131,942	131,015
Equipment repairs, maintenance, leases, small purchases	52,704	18,385
Contractual	486,318	450,077
Training and travel	24,281	24,011
Building	156,488	155,385
Office	62,169	61,889
Pharmacy	17,614	40,102
Depreciation	224,564	85,041
Other	<u>118,613</u>	<u>91,381</u>
Total expenses	<u>5,086,891</u>	<u>4,742,141</u>
Increase in unrestricted net assets	<u>\$ 1,273,956</u>	<u>\$ 1,313,932</u>

See accompanying notes to financial statements.

ECHO COMMUNITY HEALTH CARE, INC.
STATEMENTS OF CHANGES IN NET ASSETS
Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Net assets, beginning of year	\$ 3,137,010	\$ 1,823,078
Increase in unrestricted net assets	<u>1,273,956</u>	<u>1,313,932</u>
Net assets, end of year	<u>\$ 4,410,966</u>	<u>\$ 3,137,010</u>

See accompanying notes to financial statements.

ECHO COMMUNITY HEALTH CARE, INC.
 STATEMENTS OF CASH FLOWS
 Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Increase in net assets	\$ 1,273,956	\$ 1,313,932
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	224,564	85,041
Loss on disposal of fixed assets	-	5,100
Provision for bad debts	60,764	82,672
Changes in		
Patient accounts receivable, net	(232,495)	(72,049)
Estimated amounts due from Medicaid	(47,677)	1,401
Grants receivable	(899)	(42,440)
Inventory	3,163	7,707
Accounts payable and accrued expenses	(312,082)	390,296
Prepaid expenses and other current assets	10,483	(7,417)
Deferred revenue	<u>85,462</u>	<u>22,438</u>
Net cash provided by operating activities	1,065,239	1,786,681
 Cash flows from investing activities		
Purchase of property and equipment	(1,129,652)	(1,834,810)
Redemptions (purchases) of certificates of deposit	<u>166,131</u>	<u>32,283</u>
Net cash used in investing activities	(963,521)	(1,802,527)
 Cash flows from financing activities		
Proceeds from issuance of debt	-	290,000
Principle payments on long-term debt	<u>(281,456)</u>	<u>(8,544)</u>
Net cash from financing activities	<u>(281,456)</u>	<u>281,456</u>
 Change in cash and cash equivalents	(179,738)	265,610
 Cash and cash equivalents, beginning of year	<u>800,250</u>	<u>534,640</u>
 Cash and cash equivalents, end of year	<u>\$ 620,512</u>	<u>\$ 800,250</u>
 Supplemental disclosure of cash flow information		
Property and equipment included in accounts payable	\$ -	\$ 160,778
Cash paid during the year for interest	\$ 13,908	\$ 11,124

See accompanying notes to financial statements.

ECHO COMMUNITY HEALTH CARE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: ECHO Community Health Care, Inc. ("Center") primarily earns revenues by providing prenatal, pediatric and adult medical services to residents in the Southwest Indiana area. The Center is a Federally Qualified Health Center ("FQHC") and has been recognized as tax exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

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. Estimates include allowances for adjustments included in net patient service revenue and receivables, useful lives of fixed assets, and estimated Medicare and Medicaid settlements.

Industry: The Center derives a significant portion of its revenue from third-party payer programs. The receipt of future revenues by the Center is subject to, among other factors, federal and state policies affecting the health care industry, economic conditions that may include an inability to control expenses in periods of inflation, increased competition, market pressures on premium rates and other conditions which are impossible to predict.

Cash and Cash Equivalents: The Center considers all cash and short term investments with original maturities of three months or less to be cash and cash equivalents. The Center maintains a substantial portion of its cash and cash equivalents in two local financial institutions. The Center's cash accounts with financial institutions, at times, exceeds federally insured limits. Effective through June 30, 2010, all the Center's deposits are fully insured without limit through the Transaction Account Guarantee program. Subsequent to June 30, 2010, the first \$250,000 of these deposits are insured by an agency of the U.S. government.

Patient Accounts Receivable: Patient accounts receivable are stated at net realizable amounts from patients, third-party payers and others for services rendered. The patient population of the Center consists primarily of homeless and low income individuals or families, most of whom qualify for service according to federal income levels for zero payment or a substantially reduced payment. Adjustments to patient accounts are made in amounts required to maintain an estimated allowance to cover contractual allowances and anticipated losses from patients, third-party payers, and others. The patient accounts are charged against the allowance when they are determined to be uncollectible.

ECHO COMMUNITY HEALTH CARE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance: Adjustments to patient accounts are made in amounts required to maintain an allowance to cover estimated contractual allowances and anticipated losses from patients, third-party payers, and others. The allowance is determined by management based on historical trends and recent payment history with each payer. As payments are received, specific contractual adjustments detailed in the explanation of benefits are charged against the patient account and the allowance. Patient accounts receivable are ordinarily due upon receipt of the invoice. Balances past due more than 120 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the patient or third-party payer. Interest is not charged on past due accounts.

Supplies: Supply inventories are stated at the lower of cost, determined using the first-in, first-out ("FIFO") method or market. Supply inventories consist of pharmaceutical supplies.

Investments: Investments consist of certificates of deposit with a maturity date in excess of three months. Investments are recorded at cost which approximates fair value at December 31, 2009 and 2008.

Property and Equipment: Property and equipment are depreciated on a straight-line basis over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

Net Patient Service Revenue: Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The Center has agreements with third-party payers that provide for payments to the Center at amounts different from its established rates. These payment arrangements include:

ECHO COMMUNITY HEALTH CARE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Medicare: Services rendered to Medicare program beneficiaries are reimbursed under a cost reimbursement methodology subject to a maximum cost per visit. The Center is reimbursed at tentative rates for Medicare with final settlement determined after submission of an annual cost report by the Center and an audit thereof by the Medicare fiscal intermediary. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Medicaid: The Center has been reimbursed for services rendered to state-sponsored Medicaid beneficiaries on a prospective payment basis, and additional settlements will be made on the difference between the interim rates paid and the final prospective payment rate. No additional settlement will be made on the difference between the interim rates paid and actual costs. Adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Approximately 78% and 56% of net patient service revenue (26% and 16% of total revenues for 2009 and 2008) are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2009 and 2008. Laws and regulations governing the Medicare and Medicaid program are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Center under these agreements includes prospectively determined rates per procedure and/or discounts from established charges.

In 2009, the 2006 Medicaid cost report was settled as well as the 2007 and 2008 Medicare cost reports. During the years ended December 31, 2009 and 2008, the Center recognized approximately \$78,065 and \$5,400, respectively, in revenue relating to final settlements and retroactive adjustments for previously filed Medicare and Medicaid cost report. The effect of these adjustments was to increase net patient service revenue in the years ended December 31, 2009 and 2008, respectively.

Charity Care: The Center provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Charity care is not reported as revenue. Charges deducted in arriving at net patient service revenue under the Center's charity care policy were \$1,368,958 and \$1,537,438 for 2009 and 2008, respectively.

ECHO COMMUNITY HEALTH CARE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions: Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions. Receipts of contributions which are conditional are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor. The Center had no temporarily or permanently restricted net assets on December 31, 2009 and 2008.

Contributed Services: Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contribution revenue recognized from contributed services consisted of:

	<u>2009</u>	<u>2008</u>
Area hospitals providing lab, x-ray and ancillary services	<u>\$ 361,780</u>	<u>\$ 316,988</u>

Income Taxes: The Center is exempt from income taxes under Section 501(c)3 of the Internal Revenue Code and a similar provision of Indiana law. However, the Center is subject to federal income tax on any unrelated business taxable income.

Effective January 1, 2009, the Center adopted certain provisions of FASB ASC 740, which clarifies the accounting for uncertainty in income taxes. In accordance with this guidance, a tax position is recognized as a benefit only if it is more likely than not that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more likely than not test, no tax benefit is recorded. The adoption had no effect on the financial statements.

The Center recognizes interest and penalties related to unrecognized tax liabilities and includes these in interest and income tax expense. The Center has no amounts accrued for interest and penalties as of December 31, 2009. The Center does not expect the total amount of unrecognized tax liabilities to significantly change over the next twelve months.

ECHO COMMUNITY HEALTH CARE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Center is no longer subject to examination by taxing authorities for years before 2008.

Reclassifications: Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 financial statement presentation. These reclassifications had no effect on the change in net assets and total net assets.

Concentration of Credit Risk: The Center grants credit without collateral to its patients, most of whom are area homeless and low income individuals or families and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at December 31, 2009 and 2008 was:

	<u>2009</u>	<u>2008</u>
Medicare	55 %	29 %
Medicaid	24	20
Commercial	10	11
Sliding fee	-	4
Other	<u>11</u>	<u>36</u>
	<u>100 %</u>	<u>100 %</u>

United States Government Revenue: Approximately 30% of the Center's revenue for the year ended December 31, 2009 (27% in 2008) was from grants from the United States Government received either directly or by pass-through from another entity and renewable annually at the Government's option. Approximately 30% of the Center's revenue was provided by a U.S. Department of Health and Human Services Urban Health Initiative grant for the year ended December 31, 2009 (27% in 2008). As of March 2007, the Federal grant project period had been renewed for five years.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2009 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2009. Management has performed their analysis through April -, 2010, the date the financial statements were available to be issued.

ECHO COMMUNITY HEALTH CARE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 2 - FINANCIAL INSTRUMENTS

The Center determines the fair market values of its investments based on the fair value hierarchy established in FASB ASC 820, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the Center's own assumptions based on market data and on assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The guidance describes three levels within its hierarchy that may be used to measure fair value:

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

Level 2 Inputs: Significant other observable inputs other than Level 1 quoted prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborate by observable market data.

Level 3 Inputs: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in hierarchy.

The types of investments include certificates of deposit. The fair value estimate for the certificates of deposit use a valuation model involving current interest rates, and comparison to sales of similar assets that support the fair value of the instruments as of the date of measurement. As such, significant fair value inputs can generally be verified and do not involve significant management judgments (Level 2 inputs).

ECHO COMMUNITY HEALTH CARE, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2009 and 2008

NOTE 2 - FINANCIAL INSTRUMENTS (Continued)

The following tables present the Center's assets and liabilities measured at fair value on a recurring basis under FASB ASC 820 at December 31, 2009 and 2008:

<u>Fair Value Measurements at December 31, 2009</u>				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	<u>Total</u>
Assets:				
Certificates of deposit	\$ -	\$ 848,403	\$ -	\$ 848,403
Total assets	<u>\$ -</u>	<u>\$ 848,403</u>	<u>\$ -</u>	<u>\$ 848,403</u>

<u>Fair Value Measurements at December 31, 2008</u>				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	<u>Total</u>
Assets:				
Certificates of deposit	\$ -	\$ 1,014,534	\$ -	\$ 1,014,534
Total assets	<u>\$ -</u>	<u>\$ 1,014,534</u>	<u>\$ -</u>	<u>\$ 1,014,534</u>

ECHO COMMUNITY HEALTH CARE, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2009 and 2008

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

	<u>2009</u>	<u>2008</u>
Leasehold improvements	\$ 239,331	\$ 566,746
Buildings	2,035,221	394,209
Land	550,292	550,292
Construction in progress	-	741,313
Furniture	61,885	53,233
Vehicles	22,894	20,274
Computers	308,886	213,566
Equipment medical	246,084	179,546
Equipment office	<u>97,875</u>	<u>97,875</u>
	3,562,468	2,817,054
Accumulated depreciation	<u>686,405</u>	<u>846,079</u>
 Total	 <u>\$ 2,876,063</u>	 <u>\$ 1,970,975</u>

Depreciation expense for the years ended December 31, 2009 and 2008 was \$224,564 and \$85,041, respectively.

NOTE 4 - LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2009</u>	<u>2008</u>
Mortgage payable to Illinois Facilities Fund in equal monthly installments of \$2,350, including interest at 5.375% through March 2023	\$ -	\$ 281,456
Current portion	<u>-</u>	<u>12,258</u>
Long-term debt	<u>\$ -</u>	<u>\$ 269,198</u>

During December 2009, the Center paid in full, the remaining outstanding balance of the mortgage payable; therefore, no liability exists at December 31, 2009. Interest expense was \$13,908 and \$11,124 for the years ended December 31, 2009 and 2008, respectively.

ECHO COMMUNITY HEALTH CARE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 5 - FUNCTIONAL EXPENSES

The Center provides general health care services to residents within its geographic area. Expenses related to providing these services are as follows:

	<u>2009</u>	<u>2008</u>
Health care services	\$ 4,206,281	\$ 3,998,585
General and administrative	880,048	743,269
Fundraising	<u>562</u>	<u>287</u>
	<u>\$ 5,086,891</u>	<u>\$ 4,742,141</u>

NOTE 6 - OPERATING LEASES

Noncancelable operating leases for outpatient offices and office equipment expire in 2012. These leases generally contain renewal options for periods ranging from one month to five years and require the Center to pay all executory costs (property taxes, maintenance and insurance). Rental expense for these leases included in the statement of operations was \$57,609 and \$62,892 for the years ended December 31, 2009 and 2008, respectively.

Future minimum lease payments at December 31, 2009 were:

2010	\$ 18,000
2011	18,000
2012	<u>9,000</u>
Future minimum lease payments	<u>\$ 45,000</u>

NOTE 7 - MEDICAL MALPRACTICE CLAIMS

As an FQHC, the Center is covered for medical malpractice risks under the Federal Tort Claims Act. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claims costs for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate cost of the incidents. Based on the Center's claim experience, no such accrual has been made.

ECHO COMMUNITY HEALTH CARE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 8 - PENSION PLAN

The Center has a 403(b) defined-contribution pension plan covering substantially all employees. In addition, the Center adopted a Simplified Employee Pension plan (SEP) in 2004. The Board of Directors annually determines the amount, if any, of the Center's contributions to the plans. Pension expense was \$27,583 and \$22,653 for 2009 and 2008, respectively.

SUPPLEMENTARY INFORMATION

ECHO COMMUNITY HEALTH CARE, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended December 31, 2009

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grant Number</u>	<u>Expenditures</u>
<u>Community Health Centers</u>			
U.S. Department of Health and Human Services	93.224	H80CS00199	\$ 1,692,713
<u>American Recovery and Reinvestment Act - Capital Improvement Program</u>			
U.S. Department of Health and Human Services	93.703	C81CS14515	152,211
<u>American Recovery and Reinvestment Act - Increase Services to Health Centers</u>			
U.S. Department of Health and Human Services	93.703	H8BCS11662	<u>83,585</u>
Total Federal Expenditures			<u>\$ 1,928,509</u>

ECHO COMMUNITY HEALTH CARE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2009

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Center for the year ended December 31, 2009 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 States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

No federal awards were provided to subrecipients.

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
ECHO Community Health Care, Inc.
Evansville, IN

We have audited the financial statements of ECHO Community Health Care, Inc. ("Center") as of and for the year ended December 31, 2009, and have issued our report thereon dated the same date as this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting in order to determine 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 Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, that results in a reasonable possibility that a material misstatement of the Center'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 would not necessarily identify all deficiencies in internal control 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 or significant deficiencies, as defined above. We did note other matters which we reported to management in a letter dated April -, 2010.

Compliance and Other Matters

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

This report is intended solely for the information and use of the governing body, management 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.

Crowe Horwath LLP

Indianapolis, Indiana

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL
OVER COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL
AWARDS PROGRAM

Board of Directors
ECHO Community Health Care, Inc.
Evansville, IN

Compliance

We have audited the compliance of ECHO Community Health Care, Inc. ("Center") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2009. The Center's major federal program is 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 its major federal program is the responsibility of Center's management. Our responsibility is to express an opinion on the compliance of ECHO Community Health Care, Inc. 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 the Center'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 the Center's compliance with those requirements.

In our opinion, ECHO Community Health Care, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009.

Internal Control Over Compliance

The management of ECHO Community Health Care, 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 ECHO Community Health Care, 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, 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 Center's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a deficiency, or combination of deficiencies, that results in a reasonable possibility that a 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 would not necessarily identify all deficiencies in internal control that might be 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 for the information and use of the governing body, management 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.

Crowe Horwath LLP

Indianapolis, Indiana

ECHO COMMUNITY HEALTH CARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2009

Section I - Summary of Auditors' Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None reported

Noncompliance material to the financial statements noted? Yes No

Federal Awards

Internal Control over major programs:

Material Weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses Yes None reported

Type of auditor's 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 OMB Circular A-133? Yes No

Identification of major programs:

CFDA

<u>Number</u>	<u>Name of Federal Program or Cluster</u>
93.224	Community Health Centers
93.703	ARRA - Capital Improvements Program

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

Auditee qualified as low-risk auditee? Yes No

ECHO COMMUNITY HEALTH CARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2009

Section II - Findings Related to the Financial Statements Reported in Accordance with Government Auditing Standards:

None reported

Section III - Findings and Questioned Costs Relating to Federal Awards:

None reported

Section IV - Prior Audit Findings:

08-1 Reportable Condition Related to Sliding Fee Scale Eligibility:

Criteria: The Center should have a system in place to determine eligibility for patient discounts adjusted on the basis of the patient's ability to pay. This system must provide a fully discount to individuals and families with annual incomes between 100 percent and 200 percent of the poverty level. Fees must be charged in accordance with a sliding discount policy on family size and income. No discounts may be provided to patients with incomes over 200 percent of the Federal Poverty Level.

Condition: Management and check-in employees failed to properly ensure that identified individuals were assigned to the proper sliding fee scale category based on information provided.

Context: We selected a sample of 33 patients and noted whether the sliding fee scale had been appropriately applied to each. Of the patients selected, 4 patients had issues identified regarding proper documentation of sliding fee category, specifically related to family income documentation.

Cause: There were calculation errors made by the front office check-in staff when calculating eligibility of patients for the sliding fee scale discount.

Effect: As a result of the miscalculations, individuals were placed in the incorrect sliding fee category and ultimately charged an incorrect amount for the applicable patient visit.

Recommendation: We recommend that management continue to focus on monitoring the individuals who calculate the categories that sliding fee schedule patients qualify for and by performing regular audits and training of check-in employees.

Views of responsible officials: Management has check-in training, which includes: POI policy, Health Pro entry, elements needed for POI and chart order of POI. In addition to training, an audit is performed one month after training. If findings are not acceptable in the initial audit, follow up audits are performed for two consecutive quarters until improvement is sustained.

ECHO COMMUNITY HEALTH CARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2009

Resolution: Management has implemented additional checks within the practice management system, which have resulted in a more automated process, requiring little additional manual input, as a result, this was not a finding related to the audit for the period ended December 31, 2009.

Questioned Costs: \$0