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302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

June 26, 2009

Board of Directors
Echo Community Health Care, Inc.
501 John St., Ste. 12
Evansville, IN 47713

We have reviewed the audit report prepared by Crowe Horwath, LLP, Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. 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, 2008, 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.

We call your attention to the findings in the report. Pages 19 and 20 contain one current audit finding. The status of one prior audit finding is on page 20.

STATE BOARD OF ACCOUNTS

ECHO COMMUNITY HEALTH CARE, INC.

FINANCIAL STATEMENTS

December 31, 2008 and 2007

ECHO COMMUNITY HEALTH CARE, INC.

FINANCIAL STATEMENTS
December 31, 2008 and 2007

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Crowe Horwath LLP
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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, 2008 and 2007, 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, 2008 and 2007, 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 March 27, 2009, 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*, are presented for purposes of additional analysis and are 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.

A handwritten signature in black ink that reads "Crowe Horwath LLP".
Crowe Horwath LLP

Indianapolis, Indiana
March 27, 2009

ECHO COMMUNITY HEALTH CARE, INC.
BALANCE SHEETS
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 800,250	\$ 534,640
Investments	1,014,534	1,046,817
Patient accounts receivable, net of allowance for uncollectible accounts: 2008 - \$82,672; 2007 - \$155,996	149,679	160,302
Estimated amounts due from Medicaid	74,562	75,963
Grants receivable	101,962	59,522
Inventory	3,163	10,870
Prepaid expenses and other	<u>47,661</u>	<u>40,244</u>
Total current assets	2,191,811	1,928,358
Property and equipment, at cost		
Leasehold improvements	566,746	562,774
Buildings	394,209	-
Land	550,292	-
Construction in progress	741,313	-
Equipment medical	179,546	148,387
Equipment office	97,875	94,150
Computers	213,566	131,854
Furniture	53,233	31,606
Vehicles	<u>20,274</u>	<u>20,274</u>
	2,817,054	989,045
Accumulated depreciation	<u>846,079</u>	<u>762,739</u>
	<u>1,970,975</u>	<u>226,306</u>
 Total assets	 <u>\$ 4,162,786</u>	 <u>\$ 2,154,664</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 402,567	\$ 66,753
Current portion of long-term debt	12,258	-
Deferred revenue	32,476	10,038
Accrued vacation	82,753	70,359
Accrued payroll	182,566	141,478
Accrued expenses	<u>43,958</u>	<u>42,958</u>
Total current liabilities	756,578	331,586
Long-term debt	269,198	-
Net assets		
Unrestricted	<u>3,137,010</u>	<u>1,823,078</u>
 Total liabilities and net assets	 <u>\$ 4,162,786</u>	 <u>\$ 2,154,664</u>

See accompanying notes to financial statements.

ECHO COMMUNITY HEALTH CARE, INC.
 STATEMENTS OF OPERATIONS
 Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Unrestricted revenue, gains and other support		
Support		
Federal grants	\$ 1,635,743	\$ 1,608,573
State grants	1,582,972	607,440
Local grants	63,465	89,634
Local grants - Welborn	513,200	190,001
United Way	107,172	113,961
Gifts in kind	<u>316,988</u>	<u>365,845</u>
	4,219,540	2,975,454
Net patient service revenue	1,698,925	1,508,701
Fundraising	21,283	27,971
Interest and dividends	48,800	60,826
Bad debt recovery	4,445	2,954
Other	<u>63,080</u>	<u>63,039</u>
Total unrestricted revenues, gains and other support	6,056,073	4,638,945
Expenses		
Salaries and wages	3,194,639	2,952,944
Employee benefits	490,216	416,040
Supplies	131,015	134,680
Equipment repairs, maintenance, leases, small purchases	18,385	16,805
Contractual	450,077	491,661
Training and travel	24,011	17,638
Building	155,385	160,564
Office	61,889	67,574
Pharmacy	40,102	78,610
Depreciation	85,041	93,332
Other	<u>91,381</u>	<u>206,806</u>
Total expenses	<u>4,742,141</u>	<u>4,636,654</u>
Increase in unrestricted net assets	<u>\$ 1,313,932</u>	<u>\$ 2,291</u>

See accompanying notes to financial statements.

ECHO COMMUNITY HEALTH CARE, INC.
STATEMENTS OF CHANGES IN NET ASSETS
Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Net assets, beginning of year	\$ 1,823,078	\$ 1,820,787
Increase in unrestricted net assets	<u>1,313,932</u>	<u>2,291</u>
Net assets, end of year	<u>\$ 3,137,010</u>	<u>\$ 1,823,078</u>

See accompanying notes to financial statements.

ECHO COMMUNITY HEALTH CARE, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Increase in net assets	\$ 1,313,932	\$ 2,291
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	85,041	93,332
Loss on disposal of fixed assets	5,100	-
Provision for bad debts	82,672	155,996
Changes in		
Patient accounts receivable, net	(72,049)	(165,079)
Estimated amounts due from Medicaid	1,401	(46,975)
Grants receivable	(42,440)	71,203
Inventory	7,707	1,317
Accounts payable and accrued expenses	390,296	988
Prepaid expenses and other current assets	(7,417)	(606)
Deferred revenue	<u>22,438</u>	<u>(10,070)</u>
Net cash provided by operating activities	1,786,681	102,397
 Cash flows from investing activities		
Purchase of property and equipment	(1,834,810)	(27,842)
Sales (purchases) of certificates of deposit	<u>32,283</u>	<u>(144,799)</u>
Net cash used in investing activities	(1,802,527)	(172,641)
 Cash flows from financing activities		
Proceeds from issuance of debt	290,000	-
Principle payments on long-term debt	<u>(8,544)</u>	<u>-</u>
Net cash from financing activities	<u>281,456</u>	<u>-</u>
 Change in cash and cash equivalents	265,610	(70,244)
 Cash and cash equivalents, beginning of year	<u>534,640</u>	<u>604,884</u>
 Cash and cash equivalents, end of year	<u>\$ 800,250</u>	<u>\$ 534,640</u>
 Supplemental disclosure of cash flow information		
Property and equipment included in accounts payable	\$ 160,778	\$ -
Cash paid during the year for interest	\$ 11,124	\$ -

See accompanying notes to financial statements.

ECHO COMMUNITY HEALTH CARE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

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. At December 31, 2008 and 2007, the Center's cash accounts exceeded federally insured limits.

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. The Center provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. 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, 2008 and 2007.

ECHO COMMUNITY HEALTH CARE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

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

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.

At December 31, 2008, construction in progress includes costs to date incurred to construct a new clinic. The project is expected to be completed during June 2009 at a total cost of approximately \$1,500,000.

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:

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.

ECHO COMMUNITY HEALTH CARE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

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

Approximately 56% and 49% of net patient service revenue (16% and 16% of total revenues for 2008 and 2007) are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2008 and 2007. 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.

During the years ended December 31, 2008 and 2007, the Center recognized approximately \$5,400 and \$4,662, respectively, in revenue relating to final settlements and retroactive adjustments for previously filed Medicare and Medicaid cost report. In 2007, the 2005 Medicaid cost report was settled as well as the 2006 Medicare cost report. The effect of these adjustments was to increase net patient service revenue in the years ended December 31, 2008 and 2007, 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 \$1,537,438 and \$1,748,676 for 2008 and 2007, respectively.

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, 2008 and 2007.

ECHO COMMUNITY HEALTH CARE, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2008 and 2007

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

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>2008</u>	<u>2007</u>
Area hospitals providing lab, x-ray and ancillary services	<u>\$ 316,988</u>	<u>\$ 365,845</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.

Reclassifications: Certain reclassifications have been made to the 2007 financial statements to conform to the 2008 financial statement presentation. These reclassifications had no effect on the change in 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, 2008 and 2007 was:

	<u>2008</u>	<u>2007</u>
Medicare	29 %	15 %
Medicaid	20	13
Commercial	11	19
Sliding fee	4	31
Other	<u>36</u>	<u>22</u>
	<u>100 %</u>	<u>100 %</u>

The Center maintains a substantial portion of its cash and cash equivalents in two local financial institutions.

ECHO COMMUNITY HEALTH CARE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

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

United States Government Revenue: Approximately 27% of the Center's revenue for the year ended December 31, 2008 (35% in 2007) 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 27% 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, 2008 (35% in 2007). As of March 2007, the Federal grant project period had been renewed for five years, with the budget period being renewed for one year.

NOTE 2 - LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2008</u>	<u>2007</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>(12,258)</u>	<u>-</u>
Long-term debt	<u>\$ 269,198</u>	<u>\$ -</u>

Maturities of long-term debt for the next five years are as follows:

<u>Year</u>	<u>Amount</u>
2009	\$ 12,258
2010	14,078
2011	14,854
2012	15,672
2013	16,536

Interest expense was \$11,124 and \$0 for the years ended December 31, 2008 and 2007, respectively.

ECHO COMMUNITY HEALTH CARE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE 3 - 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>2008</u>	<u>2007</u>
Health care services	\$ 3,998,585	\$ 3,958,590
General and administrative	743,269	677,587
Fundraising	<u>287</u>	<u>477</u>
	<u>\$ 4,742,141</u>	<u>\$ 4,636,654</u>

NOTE 4 - OPERATING LEASES

Noncancelable operating leases for outpatient offices and office equipment expire in various years through 2011. 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 \$62,892 and \$86,942 for the years ended December 31, 2008 and 2007, respectively.

Future minimum lease payments at December 31, 2008 were:

2009	\$ 14,086
2010	6,000
2011	<u>3,000</u>
Future minimum lease payments	<u>\$ 23,086</u>

NOTE 5 - 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, 2008 and 2007

NOTE 6 - 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 \$22,653 and \$15,795 for 2008 and 2007, respectively.

SUPPLEMENTARY INFORMATION

ECHO COMMUNITY HEALTH CARE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2008

<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	H27CS03295	\$ 1,635,743
<u>Supportive Housing Program</u>			
Housing and Urban Development/Evansville Department of Metropolitan Development	14.235	IN3B102003	<u>45,379</u>
Total Federal Expenditures			<u>\$ 1,681,122</u>

ECHO COMMUNITY HEALTH CARE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2008

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, 2008 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.



Crowe Horwath LLP
Member Horwath International

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, 2008, 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 adversely affects the Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Center's financial statements that is more than inconsequential will not be prevented or detected by the Center's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Center's internal control.

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, as defined above; however, we identified a significant deficiency related to the appropriate assignment of sliding fee scale categories which is discussed further in the Schedule of Findings and Questioned Costs as item 08-1. We also noted other matters which we reported to management in a letter dated April 9, 2008.

We did not audit the responses of management found in the Schedule of Findings and Questioned Costs and accordingly, we do not express an opinion on the responses.

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
March 27, 2009



Crowe Horwath LLP
Member Horwath International

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, 2008. 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, 2008.

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 adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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 condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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. However, we did identify a significant deficiency related to the appropriate assignment of sliding fee scale categories which is discussed further in the Schedule of Findings and Questioned Costs as item 08-1.

We did not audit the responses of management found in the Schedule of Findings and Questioned Costs and accordingly, we do not express an opinion on the responses.

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
March 27, 2009

ECHO COMMUNITY HEALTH CARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2008

Section I - Summary of Auditors' Results:

(a) Type of report issued on the financial statements:	Unqualified
(b) Significant deficiencies in internal control were disclosed by the audit of the financial position:	08-1
Material weaknesses in internal control:	None reported
(c) Noncompliance, which is material to financial statements:	None reported
(d) Significant deficiencies in internal control over major programs:	08-1
Material weaknesses in internal control over major programs:	None reported
(e) Type of report issued on compliance for major programs:	Unqualified
(f) Any audit findings that are required to be reported under Section 510(a) of OMB Circular A-133:	None
(g) Major programs: Community Health Centers (CFDA #93.224)	
(h) Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
(i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133:	No

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:

08-1 Reportable Condition Related to Sliding Fee Schedule Eligibility Testing:

Condition and Criteria: We noted during our audit of the financial statements that the appropriate sliding fee schedule discount was not applied appropriately to four for the patients sampled based on the Center's sliding fee schedule guidelines related to family income documentation.

Cause and Effect: The cause of the above condition is related to calculation errors made by the front office check-in staff when calculating eligibility of patients for the sliding fee scale discount. The above condition could effect the discount calculated on qualifying sliding fee schedule patients.

ECHO COMMUNITY HEALTH CARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2008

Recommendation: We recommended 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.

Response: 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.

Questioned Costs: \$0

Section IV - Prior Audit Findings:

07-1 Approval of Journal Entries:

Condition and Criteria: We noted during our audit of the financial statements that there is no written approval policy for general journal entries. Additionally, management does not require the preparer to sign general journal entries, once prepared, nor is there a documented sign-off on reviewed entries.

Cause and Effect: The cause of the above condition is related to a lack of documented process regarding general journal entry preparation and review.

Recommendation: We recommended that management implement a formal review and approval process for all general journal entries. This process should include the physical sign-off on reviewed and approval journal entries

Response: Management has noted the lack of documented review process and has noted that it will begin to document the review of all general journal entries, via a physical sign-off.

Resolution: Management has addressed the issue in 2008 and this was not a finding related to the audit for the period ended December 31, 2008.

Questioned Costs: \$0