

**HOPE Family Health Services  
Financial Statements  
December 31, 2012**

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# Parker, Parker & Associates, PLC

Certified Public Accountants

1000 NORTHCHASE DRIVE - SUITE 260  
GOODLETTSVILLE, TN 37072

STEVEN B. PARKER, CPA  
CHARLES N. PARKER, CPA  
KAREN R. STEPHENS, CPA  
LAUREN S. ALLEN, CPA  
J. MATTHEW STAMPER, CPA  
JILL C. COLEMAN, CPA  
JANA N. LOWE, CPA

TELEPHONE: 615-859-8800  
FAX: 615-859-8188  
WWW.PARKERCPA.NET

## *Independent Auditors' Report*

To the Board of Directors of  
HOPE Family Health Services

We have audited the accompanying financial statements of HOPE Family Health Services (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2012 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HOPE Family Health Services as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Parker, Parker & Associates*

September 19, 2013

**HOPE Family Health Services  
Statement of Financial Position  
December 31, 2012**

	<u>2012</u>
<b>Assets</b>	
<b>Current Assets</b>	
Cash	\$ 23,633
Grants Receivable	11,558
Accounts Receivable, Net of Allowance of \$55,161	<u>42,934</u>
Total Current Assets	<u>78,125</u>
<b>Property &amp; Equipment</b>	
Computer Equipment	32,031
Furniture & Fixtures	2,205
Equipment	106,695
Building Improvements	<u>12,208</u>
	153,139
Less: Accumulated Depreciation	<u>(89,857)</u>
Total Property & Equipment	<u>63,282</u>
<b>Other Assets</b>	
Deposits	<u>711</u>
Total Assets	<u><u>\$ 142,118</u></u>
<b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 8,600
Accrued Liabilities	39,654
Accrued Payroll and Taxes	19,666
Accrued Paid Time Off	20,153
Line of Credit	7,734
Current Portion of Long-term Liabilities - Insurance Repayments	<u>105,153</u>
Total Current Liabilities	<u>200,960</u>
<b>Long Term Liabilities</b>	
Insurance Repayments	<u>159,988</u>
Total Long Term Liabilities	<u>159,988</u>
<b>Net Assets (Deficit)</b>	
Unrestricted	(230,388)
Temporarily Restricted	<u>11,558</u>
Total Net Assets (Deficit)	<u>(218,830)</u>
Total Liabilities and Net Assets	<u><u>\$ 142,118</u></u>

See notes to financial statements.

**HOPE Family Health Services**  
**Statement of Activities**  
**For the Year Ended December 31, 2012**

	<b>2012</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenue and Support</b>			
Medical Services, Net	\$ 347,298	\$ -	\$ 347,298
Contributions	24,795	-	24,795
Grants	521,700	11,558	533,258
Net Assets Released from Restrictions	-	-	-
Total Revenue and Support	893,793	11,558	905,351
<b>Expenses</b>			
<b>Program Expenses</b>	706,598	-	706,598
<b>Supporting Services</b>			
Management and General Expenses	119,227	-	119,227
Fundraising Expenses	-	-	-
Total Supporting Services	119,227	-	119,227
Total Expenses	825,825	-	825,825
<b>Change in Net Assets</b>	67,968	11,558	79,526
<b>Net Assets - Beginning of Year</b>	(279,829)	-	(279,829)
<b>Prior Period Adjustment</b>	(18,527)	-	(18,527)
<b>Net Assets - End of Year</b>	<u>\$ (230,388)</u>	<u>\$ 11,558</u>	<u>\$ (218,830)</u>

See notes to financial statements.

**HOPE Family Health Services**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2012**

	<b>2012</b>			
		<b>Supporting Services</b>		
	<b>Clinic Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and Benefits	\$ 447,316	\$ 62,106	\$ -	\$ 509,422
Payroll Taxes	41,755	4,751	-	46,506
Advertising	-	12,382	-	12,382
Bad Debt	53,477	-	-	53,477
Bank Fees	-	1,570	-	1,570
Billing Services	14,903	-	-	14,903
Depreciation	12,773	532	-	13,305
Dues and Subscriptions	5,762	-	-	5,762
Fees and Licenses	-	415	-	415
Hope Assistance Fund	1,858	-	-	1,858
Insurance	11,338	472	-	11,810
Interest Expense	-	1,874	-	1,874
Lab Services	14,076	-	-	14,076
Meals	-	1,828	-	1,828
Miscellaneous	-	868	-	868
Office Cleaning	2,688	112	-	2,800
Postage and Handling	773	32	-	805
Professional Fees	-	19,857	-	19,857
Rent - Building	28,392	1,183	-	29,575
Repairs and Maintenance	3,508	146	-	3,654
Software Subscriptions	11,349	-	-	11,349
Supplies - Medical	20,188	-	-	20,188
Supplies - Office	16,161	673	-	16,834
Training Expense	3,310	-	-	3,310
Travel	-	9,717	-	9,717
Utilities	16,973	707	-	17,680
Total Expenses	<u>\$ 706,598</u>	<u>\$ 119,227</u>	<u>\$ -</u>	<u>\$ 825,825</u>

See notes to financial statements.



**HOPE Family Health Services**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2012**

	<u>2012</u>
<b>Cash Flows from Operating Activities</b>	
Increase in Net Assets	\$ 79,526
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	13,305
Prior Period Adjustment	(18,527)
(Increase) Decrease in:	
Accounts Receivable	(4,685)
Grants Receivable	(11,558)
Increase (Decrease) in:	
Accounts Payable and Accrued Liabilities	(10,102)
Insurance Repayments	(25,851)
Accrued Payroll and Taxes and PTO	39,632
Deferred Revenue	(48,500)
Total Adjustments	<u>(66,288)</u>
Net Cash Provided by Operating Activities	<u>13,238</u>
<b>Cash Flows from Financing Activities</b>	
Principal Repayments on LOC and Other Short-term Notes	(10,889)
Payments Related to the Acquisition of Fixed Assets	<u>(58,758)</u>
Net Cash Used by Financing Activities	<u>(69,647)</u>
<b>Net Decrease in Cash</b>	(56,408)
<b>Cash - Beginning of Year</b>	<u>80,041</u>
<b>Cash - End of Year</b>	<u><u>\$ 23,633</u></u>
<b>Non-Cash Transactions</b>	
Cash Paid during the year for Interest	\$ 1,874

See notes to financial statements.

**HOPE Family Health Services  
Notes to Financial Statements  
December 31, 2012**

**Note 1. Summary of Significant Accounting Policies**

**A. Organization and Nature of Activities**

HOPE Family Health Services ("HOPE") is a non-profit corporation in Westmoreland, Tennessee. HOPE's mission is to improve access to primary health-care in rural Middle Tennessee, with an emphasis on vulnerable populations such as the uninsured, under-insured, poor, homeless, children, migrant workers, and those addicted to substances.

**B. Basis of Accounting**

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**C. Financial Statement Presentation**

Financial statement presentation is reported in accordance with the FASB Accounting Standards Codification for *Presentation of Financial Statements, Not-For-Profit Entities*. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

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

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of HOPE pursuant to those stipulations or that expire by the passage of time.

**D. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**E. Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash includes cash on hand, demand deposits, money market, and investments with initial maturities of three months or less. There are no cash equivalents at December 31, 2012.

**F. Promises to Give and Grants Receivable**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at present value of their estimated future cash flows unless the value not discounted is immaterial to the financial statements as a whole. Conditional promises to give are not included as support until such time as conditions are substantially met. Management has evaluated the collectability of promises to give (contributions receivable) and grants receivable based on historical data and collections subsequent to year end and has determined that an allowance for uncollectible contributions is not necessary.

**G. Accounts Receivable**

Accounts receivable consists primarily of amounts due on the date of service from patients or insurance providers for services provided by HOPE. An allowance for doubtful accounts is established based on review of collection history. Receivables are written off when a balance is determined to be uncollectible, generally when it is past due for more than six months. Accounts receivable as of December 31, 2012 are expected to be collected within one year.

**H. Property and Equipment**

It is HOPE's policy to capitalize property and equipment. Purchased property and equipment are recorded at cost if purchased or fair market value if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets ranging from 5 to 7 years. Repairs and maintenance are expensed as incurred. Total depreciation expense for the year ended December 31, 2012 is \$13,305.



**HOPE Family Health Services**  
**Notes to Financial Statements – Continued**  
**December 31, 2012**

**Note 1. Summary of Significant Accounting Policies – Continued**

**I. Accrued Paid Time Off**

Employees earn 10 hours of paid time off (PTO) for every 120 hours worked. Employees are generally allowed to carry over 40 hours of accrued PTO to the next fiscal year. During 2012, the Board made an exception to the policy. Employees were allowed to carry over any unused hours in excess of fifteen. At December 31, 2012, accrued paid time off is \$20,153.

**J. Income Taxes**

HOPE is a nonprofit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**K. Medical Services Revenue**

Medical services revenue is recorded at HOPE's established rates with insurance adjustments and charity allowances deducted to arrive at net medical services revenue.

**L. Insurance Contracts**

Amounts received from insurance agencies are subject to audit and adjustment. Any disallowed claims including amounts already collected, could be a liability to HOPE. At December 31, 2012, HOPE has various short and long-term obligations to insurance companies for audit adjustments identified in previous years.

**M. Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. If a restriction is fulfilled in the same time period in which the contribution is received, HOPE reports the support as unrestricted. Otherwise, when a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed goods and assets are recorded at fair market value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Contributed services are reflected in the financial statements at the fair value of the services received only when those services either (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

**N. Functional Expenses**

Expenses are charged directly to program, management and general, or fundraising based on a combination of specific identification and allocation by management.

**O. Advertising Costs**

Advertising costs are charged to operations when incurred. Advertising expense is \$12,382 for the year ended December 31, 2012.

**Note 2. Contributions, Conditional Promises to Give and Grants Receivable**

Grants receivable at December 31, 2012 are due from the State of Tennessee and are expected to be collected within twelve months. During the year ended December 31, 2012, HOPE was awarded a Health Care Safety net grant from the State of Tennessee. This grant reimburses HOPE for primary care medical encounters provided to adults meeting the grant criteria. Once grant criteria are met, HOPE recognizes grant revenue and a receivable. The total awarded for the grant period of July 1, 2012 to June 30, 2013 was \$34,436.



**HOPE Family Health Services**  
**Notes to Financial Statements – Continued**  
**December 31, 2012**

**Note 2. Contributions, Conditional Promises to Give and Grants Receivable - Continued**

During the year ended December 31, 2012, HOPE was awarded a grant in excess of \$600,000 from the Department of Health and Human Services taking it from a Rural Health Clinic to a Federally Qualified Health Center. The grant period is from June 1, 2012 to April 30, 2014. This grant reimburses HOPE for approved budget expenditures meeting the grant criteria. Once grant criteria are met, HOPE recognizes grant revenue and a receivable.

**Note 3. Line of Credit**

HOPE has a \$10,000 line of credit with Farmers Bank. The line matures February 26, 2025 and has a 6% interest rate. No new borrowings were incurred during 2012. The balance at December 31, 2012 is \$7,734.

During 2012, HOPE repaid a \$10,000 loan from a board member.

**Note 4. Operating Lease**

HOPE leases office space. Rental expense for all operating leases for the year ended December 31, 2012 is \$29,575. Future minimum rental payments required under operating leases that have initial or remaining non-cancelable base terms in excess of one year are as follows:

Year Ending December 31	Amount
2013	\$ 39,300
2014	32,750
Total	<u>\$ 72,050</u>

**Note 5. Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2012 are time restrictions for the Health care safety grant receivable discussed in Note 2.

**Note 6. Donated Property, Equipment and Services**

HOPE receives donated pharmaceutical samples from various sources. These samples are dispensed at HOPE to patients. The value of these donated samples has not been recorded in the financial statements. The amount has been determined to be immaterial.

**Note 7. Concentration of Risk**

HOPE has concentrations of risk related to revenue and support. All medical revenue is derived from patients in the geographic region surrounding HOPE including portions of Sumner and Macon Counties. Revenue and support earned from the federal grant discussed in Note 2 during the year ended December 31, 2012 was 40% of total revenue and support. Non-compliance with the grant could have material impact on future revenue of HOPE.

**Note 8. Related Party**

During 2012, HOPE repaid a loan made by a member of the Board of Directors. See Note 3.

**Note 9. Subsequent Events**

HOPE has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2012 through September 19, 2013, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

**Note 10. Prior Period Adjustment**

Unrestricted net assets (deficit) at the beginning of 2012 have been adjusted for two errors reported in prior years. \$60,100 of grant revenue that should have been recognized during 2011 was omitted from the statement of activities. \$78,627 of insurance repayments and accrued paid time off that should have been recognized during 2011 was omitted from the statement of activities. The net effect of these errors is an increase in the net deficit of (\$18,527) as of January 1, 2012 from (\$279,829) to (\$298,356).



# Parker, Parker & Associates, PLC

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1000 NORTHCHASE DRIVE - SUITE 260  
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STEVEN B. PARKER, CPA  
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TELEPHONE: 615-859-8800  
FAX: 615-859-8188  
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To the Board of Directors  
and Management of HOPE Family Health Services

In planning and performing our audit of the financial statements of HOPE Family Health Services ("HOPE") as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered HOPE Family Health Services' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in HOPE Family Health Service's internal control to be significant deficiency:

## Significant Deficiency

### 12-1. Reconciliation of Accounts Receivable with Third-party Billing Company

#### Observation:

HOPE obtains monthly reports from the third-party billing company that are used to record revenues, adjustments, accounts receivable and bad debt expense. The reports are generated with a few days of month-end before all transactions for the month have been entered into the third-party biller's software. The result is that the adjustments made in any given month are not a complete set of the transactions for the month based on patient visits. The transactions missed in any given month show up in the next month's reports as a change in the previous months reported totals.

The result of this was that transactions missed in each month were never recorded as revenue, adjustments, etc. in subsequent months. During the audit, we proposed significant adjustments to reconcile the accounts receivable, revenue and other related accounts.

In addition, the third-party billing company does not provide HOPE with a detailed listing of the accounts receivable each month. HOPE only receives the total page. The third-party billing company's software will not allow the detailed report to be regenerated after the fact. The result was that we did not have a detailed listing of accounts receivable available during the audit for testing. We had to use alternative procedures to satisfy ourselves regarding the accounts receivable balances.



Recommendation:

Management should discuss with the third-party billing company to possibility of waiting to generate monthly reports until all transactions for any given month have been entered. In addition, Management should request a detailed listing of accounts receivable each month for HOPE's financial records.

During our audit, we also became aware of the following deficiencies in internal control, other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency:

**Other Comments**

**12-2. Capitalization Policy**

Observation:

We noted that HOPE does not have a set policy for capitalization of fixed assets. Consequently, the treatment of property additions and repairs and maintenance is not consistent. HOPE's records reflect a number of clearly immaterial items that have been capitalized in the past. The items require the same amount of recordkeeping by the Company regardless of the size of the transaction.

Recommendation:

We recommend that management establish a policy whereby all property purchases over \$1,000 and having a useful life of one year or more are capitalized. Purchases costing less than the established amount or having a useful life of less than one year should be expensed, since the cost of maintaining depreciation records for such items would exceed the benefits. The Company should document the capitalization policy and communicate it to those who code property invoices to ensure the policy is consistently followed.

**12-3. Access to General Ledger**

Observation:

HOPE performs the day to day cash receipting and disbursing using paper deposit slips and manual checks. The CFO maintains multiple excel spreadsheets to track finances. Information is sent to the outside CPA on a monthly basis for entry into Peachtree. The CPA firm makes adjustments for payroll, accruals and other monthly adjustments. As such, financial statements are not available for multiple days after month-end. Budget to actual information is not available in Peachtree and must be input into excel for analysis. The result is a delay in information management needs to monitor financial condition and make appropriate decisions on a timely basis. It also results in duplication of some work including writing up deposits and manual checks and then reentering those into Peachtree.

We believe that HOPE needs to significantly reduce the use of external (Excel) spreadsheets and shift toward an integrated business software system. An integrated system would eliminate redundant processing and improve HOPE's access to information. An integrated system would mean that invoices would only be keyed into a system once. Analysis and other reviews could be performed online by the appropriate levels of management based on real-time data entry. Additionally, integrated systems would allow security features to ensure that only authorized personnel would be allowed to enter, modify, or change data. Other approved users would have the ability to look up data but not to originate or change it.

Recommendation:

We recommend that management discuss options with the CPA firm such as an online version of Peachtree or that the Peachtree software be on the server at HOPE. Transactions could be entered for cash receipts and disbursements real-time at HOPE. Checks could be printed from Peachtree, budget information could be entered and tracked more timely. The outside CPA firm should continue to review and post transactions into Peachtree for payroll, accruals, etc. and perform reconciliations monthly.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be



pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and federal grantor agencies with the Department of Health and Human Services, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Parker, Parker & Associates*

September 19, 2013

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FAX: 615-859-8188  
WWW.PARKERCPA.NET

September 19, 2013

To the Board of Directors  
HOPE Family Health Services

We have audited the financial statements of HOPE Family Health Services for the year ended December 31, 2012, and have issued our report thereon dated September 19, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 27, 2013. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by HOPE Family Health Services are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

Management's estimate of the allowance for bad debt is based on historically collections, insurance agreements and patient history. We evaluated the key factors and assumptions used to develop the allowance for bad debt in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the insurance repayments is based on settled agreements with the insurance companies. No provision has been recorded for future audit adjustments. We evaluated the key factors and assumptions used to develop the accrued insurance repayments in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was (were):

The disclosure of contributions and grants receivable in Note 2 and the prior period adjustment in Note 10 to the financial statements are sensitive given the impact they have on financial operations.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We proposed eleven audit adjustments with an increase in net assets of \$76,757. The following material misstatements detected as a result of audit procedures were corrected by management:

- Adjustment of revenue and accounts receivable increased net assets \$46,714
- Adjustment of accrued payroll and paid time off decreased net assets \$3,353
- Prior period adjustments increased net assets \$34,051

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 19, 2013.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Other Matters

With respect to prior period adjustment we make recommendation that management inform the previous auditor of the changes that were made during the current year audit to ensure if any additional steps need to be taken to conform with generally accepted auditing standards.

This information is intended solely for the use of the Board of Directors and, if appropriate, management of HOPE Family Health Services and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*Parker, Parker & Associates*

Parker, Parker & Associates