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HEALTH FACILITIES &
SERVICES REVIEW BOARD

CHICAGO SURGICAL CLINIC, LTD.

FINANCIAL STATEMENTS

DECEMBER 31, 2011

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Warady & Davis LLP
Certified Public Accountants & Consultants

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Chicago Surgical Clinic, Ltd.
Wheeling, IL

We have reviewed the accompanying statements of assets, liabilities and stockholder's equity of CHICAGO SURGICAL CLINIC, LTD. (an Illinois S corporation) as of December 31, 2011, 2010 and 2009, and the related statements of revenues, expenses and retained earnings and cash flows for the years then ended, all on the income tax basis. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the income tax basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the income tax basis of accounting, as described in Note 1.

September 24, 2012

Warady & Davis LLP

CHICAGO SURGICAL CLINIC, LTD.

STATEMENTS OF ASSETS, LIABILITIES AND STOCKHOLDER'S EQUITY

Income Tax Basis

As of December 31

2011

2010

2009

ASSETS

CURRENT ASSETS

Cash - Checking	\$ 691,718	\$ 430,631	\$ 395,589
Prepaid Illinois Replacement Tax	5,288	4,011	—
Total Current Assets	<u>697,006</u>	<u>434,642</u>	<u>395,589</u>

PROPERTY AND EQUIPMENT

Equipment	49,714	47,120	45,640
Furniture and Appliances	1,184	1,184	1,184
	<u>50,898</u>	<u>48,304</u>	<u>46,824</u>
Less Accumulated Depreciation and Amortization	<u>50,898</u>	<u>48,304</u>	<u>46,824</u>
	—	—	—

	\$ 697,006	\$ 434,642	\$ 395,589
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LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES

Credit Cards Payable	\$ 7,770	\$ 13,111	\$ 7,202
Due to Stockholder	30,813	4,502	219
Accrued Retirement Contributions	2,045	498	1,865
State Income Tax Payable	—	—	3,858
Total Current Liabilities	<u>40,628</u>	<u>18,111</u>	<u>13,144</u>

STOCKHOLDER'S EQUITY

Common Stock - No Par Value			
Authorized - 10,000 Shares			
Issued and Outstanding - 1,000 Shares	1,000	1,000	1,000
Retained Earnings	<u>655,378</u>	<u>415,531</u>	<u>381,445</u>
	<u>656,378</u>	<u>416,531</u>	<u>382,445</u>

	\$ 697,006	\$ 434,642	\$ 395,589
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STATEMENTS OF REVENUES, EXPENSES AND RETAINED EARNINGS

Income Tax Basis

For the Years Ended December 31

2011

2010

2009

	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
REVENUES						
Net Fees Collected	\$2,285,295	100.00%	\$ 1,884,234	100.00%	\$ 1,649,278	100.00%
Operating Expenses						
Advertising Expense	35,215	1.54	29,525	1.57	31,364	1.90
Auto Expenses	7,219	.32	16,862	.89	16,227	.98
Bank Service Charges	362	.02	324	.02	657	.04
Books	1,284	.06	3,257	.17	3,556	.22
Clinic Supplies and Lab Expenses	70,069	3.07	59,399	3.15	56,194	3.41
Convention Expenses	—	—	1,264	.07	8,722	.53
Credit Card charges	4,700	.21	3,789	.20	3,175	.19
Data Processing	2,250	.10	—	—	100	.01
Delivery and Postage	4,976	.22	4,266	.23	2,135	.13
Depreciation Expense	2,594	.11	1,481	.08	6,801	.41
Dues and Subscriptions	7,556	.33	8,369	.44	9,245	.56
Education and Seminars	3,807	.17	4,243	.23	3,640	.22
Heat and Electricity	2,460	.11	3,311	.18	2,682	.16
Insurance	219,430	9.60	203,557	10.80	204,441	12.40
Internet Expense	1,817	.08	2,200	.12	5,172	.31
Licenses	1,236	.05	140	.01	140	.01
Maintenance and Repairs	2,223	.10	1,720	.09	2,089	.13
Meals and Entertainment	3,216	.14	8,735	.46	9,104	.55
Miscellaneous Expenses	853	.04	351	.02	—	—
Office Expense	12,290	.54	12,953	.69	10,461	.63
Officer's Salaries	185,000	8.10	175,000	9.29	150,000	9.09
Outside Service	196,903	8.62	158,702	8.42	152,700	9.26
Payroll Service Expenses	1,933	.08	1,685	.09	1,553	.09
Payroll Tax Expenses	61,989	2.71	56,121	2.98	48,660	2.95
Penalties	—	—	—	—	121	.01
Pension Administration Expense	1,930	.08	—	—	—	—
Pension Plan Contribution	16,942	.74	16,678	.89	15,159	.92
Printing Expenses	1,206	.05	1,865	.10	4,164	.25
Professional Fees	20,908	.91	37,924	2.01	11,308	.69
Promotion	7,495	.33	5,084	.27	5,579	.34
Rent	41,633	1.82	40,718	2.16	39,801	2.41
Security	585	.03	—	—	—	—
Software Development	—	—	1,150	.06	—	—
Supplies	1,055	.05	365	.02	997	.06
Telephone	13,772	.60	12,381	.66	13,285	.81
Uniform	—	—	103	.01	233	.01
Wage Expense	903,828	39.55	775,025	41.13	580,823	35.22
Total Operating Expenses	1,838,736	80.48	1,648,547	87.51	1,400,288	84.90
INCOME FROM OPERATIONS	446,559	19.52	235,687	12.49	248,990	15.10
Other Income (Expense)						
Interest Expense	(1,571)	(.07)	—	—	(640)	(.03)
Interest Income	1,582	.07	2,030	.11	4,194	.22
	<u>11</u>	<u>—</u>	<u>2,030</u>	<u>.11</u>	<u>3,554</u>	<u>.19</u>
INCOME BEFORE STATE INCOME TAXES	446,570	19.52	237,717	12.60	252,544	15.29
State Income Tax Expense	6,723	.29	3,631	.19	3,858	.20
NET INCOME	439,847	19.23%	234,086	12.41%	248,686	15.09%
Retained Earnings, Beginning	415,531		381,445		343,759	
Distributions	(200,000)		(200,000)		(211,000)	
RETAINED EARNINGS, ENDING	\$ 655,378		\$ 415,531		\$ 381,445	

CHICAGO SURGICAL CLINIC, LTD.

STATEMENTS OF CASH FLOWS

Income Tax Basis

For the Years Ended December 31

2011

2010

2009

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income

\$ 439,847

\$ 234,086

\$ 248,686

Adjustments to Reconcile Net Income to

Net Cash Provided by Operating Activities

Depreciation

2,594

1,481

6,801

Prepaid Illinois Replacement Tax

(1,277)

(4,011)

—

Credit Cards Payable

(5,341)

5,909

(4,838)

Accrued Retirement Plan Contributions

1,547

(1,367)

(674)

Income Taxes Payable

—

(3,858)

(1,851)

Total Adjustments

(2,477)

(1,846)

(562)

Net Cash Provided by Operating Activities

437,370

232,240

248,124

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property and Equipment

(2,594)

(1,481)

(6,801)

CASH FLOWS FROM FINANCING ACTIVITIES

Increase in Due to Stockholder

26,311

4,283

89

Distributions Paid

(200,000)

(200,000)

(211,000)

Net Cash Used by Financing Activities

(173,689)

(195,717)

(210,911)

NET INCREASE IN CASH

261,087

35,042

30,412

Cash, Beginning

430,631

395,589

365,177

CASH, ENDING

\$ 691,718

\$ 430,631

\$ 395,589

SUPPLEMENTAL CASH FLOWS DISCLOSURES

Cash paid for:

Interest

\$ 1,571

\$ —

\$ 640

State Income Taxes

\$ 8,000

\$ 11,500

\$ 4,500

NOTES TO FINANCIAL STATEMENTS

COMPANY ACTIVITY

The Company is a medical group practice located in Wheeling, Illinois, providing general surgeries to patients from both the suburban Chicago area as well as across the country.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of management who is responsible for their integrity and objectivity.

BASIS OF PREPARATION

The accompanying financial statements have been prepared on a cash method of accounting used for federal income tax purposes. Consequently, certain revenues and expenses are recognized in the determination of income in different reporting periods than they would be if the financial statements were prepared in conformity with U.S. generally accepted accounting principles. The periods and methods used to calculate depreciation are as prescribed by the Internal Revenue Code rather than estimated useful lives and methods as required by U.S. generally accepted accounting principles, and bad debts are recognized as they are realized rather than providing an allowance for receivables that may not be collected. Although income tax rules are used to determine the timing of the reporting of revenues and expenses, nontaxable revenues and nondeductible expenses are included in the determination of net income.

USE OF ESTIMATES

The preparation of financial statements in conformity with the income tax basis of accounting 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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in bank checking accounts and money market accounts. The Company considers all highly-liquid investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents as of December 31, 2011, 2010 and 2009.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is computed using accelerated methods over the statutory lives of the assets. Depreciation expense was \$2,594 for 2011, \$1,481 for 2010, and \$6,801 for 2009.

ADVERTISING COSTS

The Company expenses its advertising costs as they are incurred. The amounts charged to expense were \$35,215 for 2011, \$29,525 for 2010, and \$31,364 for 2009.

NOTES TO FINANCIAL STATEMENTS

NOTE 2—DUE TO STOCKHOLDER

The sole stockholder of the Company advances funds to the Company from time-to-time. The balance owed to the stockholder was \$30,813 as of December 31, 2011, \$4,502 as of December 31, 2010 and \$219 as of December 31, 2009.

NOTE 3—INCOME TAXES

The Company has elected S Corporation status effective December 2001. Earnings and losses after this date are included in the personal income tax returns of the stockholder and taxed depending on their personal tax strategies. Certain states, including Illinois, impose a tax on S Corporation income.

The Company's federal and state tax returns are no longer subject to examination for years prior to 2009.

NOTE 4—PENSION PLAN

The Company has in effect a defined contribution pension plan covering all employees who have attained the age of 20-1/2 and have had 12 months of service with the Company. Company contributions were \$16,942 for 2011, \$16,678 for 2010 and \$15,159 for 2009.

NOTE 5—LEASE AGREEMENT

The Company currently rents its office space under a month-to-month lease with a monthly payment of \$3,495. Total rental expense was \$41,633 for 2011, \$40,718 for 2010, and \$39,801 for 2009.

NOTE 6—REVENUE FROM MAJOR HEALTH INSURANCE COMPANIES

The Company maintains contracts with various insurance companies and receives payment for its services from them. The total payments received from 4 insurance companies represented approximately 62% of total revenue for 2011, 68% for 2010 and 69% for 2009.

NOTE 7—CONCENTRATIONS OF CREDIT RISK

The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash.

NOTE 8—RELATED PARTY TRANSACTIONS

In February 2012, the sole stockholder of the Company formed a Limited Liability Company that will acquire a facility that will be leased to the Company. As of September 24, 2012, the facility has not been acquired.

NOTE 9—SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 24, 2012, the date which the financial statements were available for issue. Except as disclosed elsewhere in the financial statements, there were no subsequent events which require disclosure.