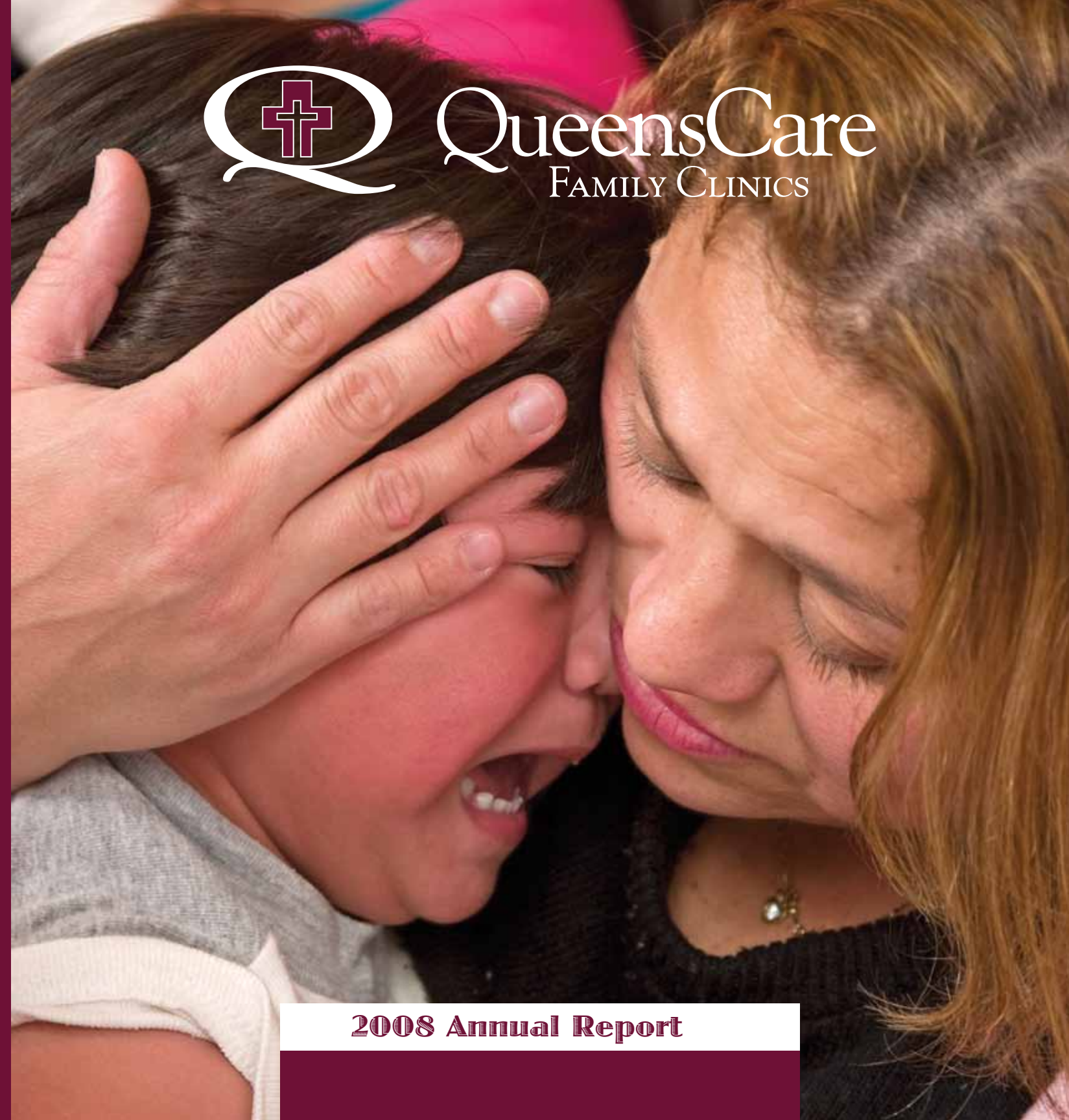




1300 North Vermont Avenue, Suite 1002
Los Angeles, California 90027
(323) 669-4302
www.QueensCareFamilyClinics.org



2008 Annual Report



Our Challenge

The U.S. spends \$2.2 trillion each year on healthcare.

75% of that is spent on chronic disease care.

In Los Angeles, one in three of us is likely to be uninsured.

One in five of us is likely to have a chronic disease.

QueensCare Family Clinics, at seven neighborhood locations in central Los Angeles, is a medical home for over 100,000 people.



In L.A. one in five people suffer from chronic disease...

One in three have no insurance



Terry A. Bonecutter

Our mission is to provide quality primary healthcare that is accessible, compassionate, comprehensive and affordable to the low-income communities of Los Angeles County.



Allan Michelena

Dear Friends,

QueensCare Family Clinics has developed a successful model to effectively manage chronic disease, providing high quality care at lower overall costs. Our goals are to slow the progression of disease, give patients a higher quality of life, and keep them out of costly emergency care.

Diseases such as hypertension, diabetes and asthma are termed "chronic", meaning they cannot be cured; but they can be managed. Chronic diseases are progressive: they require a low level of care at the beginning, but if that care is not received in a timely manner, the disease worsens leading to ever more expensive care.

To illustrate our model of chronic disease management, this report tells the story of how we manage diabetes. We have similar disease management programs for asthma, hypertension, and obesity.

During the past year, QueensCare Family Clinics saw more diabetics than 99% of the community clinics across the nation. Over 20% of the health visits at QFC are due to diabetes – compared to 8% in the state of California, and 7% in the nation.

Yet, QueensCare Family Clinics has a lower cost (\$101 per medical encounter compared to \$129 in US urban clinics) and higher productivity – at the same time, improving patient outcomes.

Diabetic care is costly. Diabetic drug costs alone are 300% of the non-diabetic drug costs; and diabetic management requires more regular doctor visits to monitor and manage the disease.

The following pages describe our successful model. We are continually building upon our experience to refine our chronic disease care, collaborating with healthcare researchers, hospitals, clinics, and agencies to solve one of society's major challenges.

Sincerely,

Handwritten signature of Terry A. Bonecutter in black ink.

Terry A. Bonecutter
President & Chief Executive Officer

Handwritten signature of Allan Michelena in black ink.

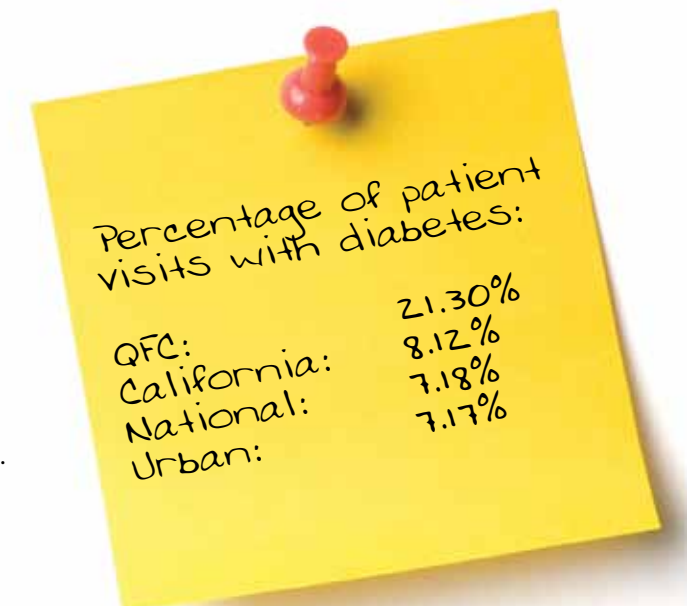
Allan Michelena
Chair, Board of Directors



Managing Chronic Disease: Diabetic Care

QFC has developed a disease management system for chronic care. A multi-disciplinary team tracks major health indicators on a regular basis and works to change lifestyle behaviors that affect the course of the disease.

Peer community health workers play an essential role. They are lay people from the community, trained to support patients with education on their disease and the importance of diet and exercise. They create a special bond with their patients that medical professionals rarely achieve.



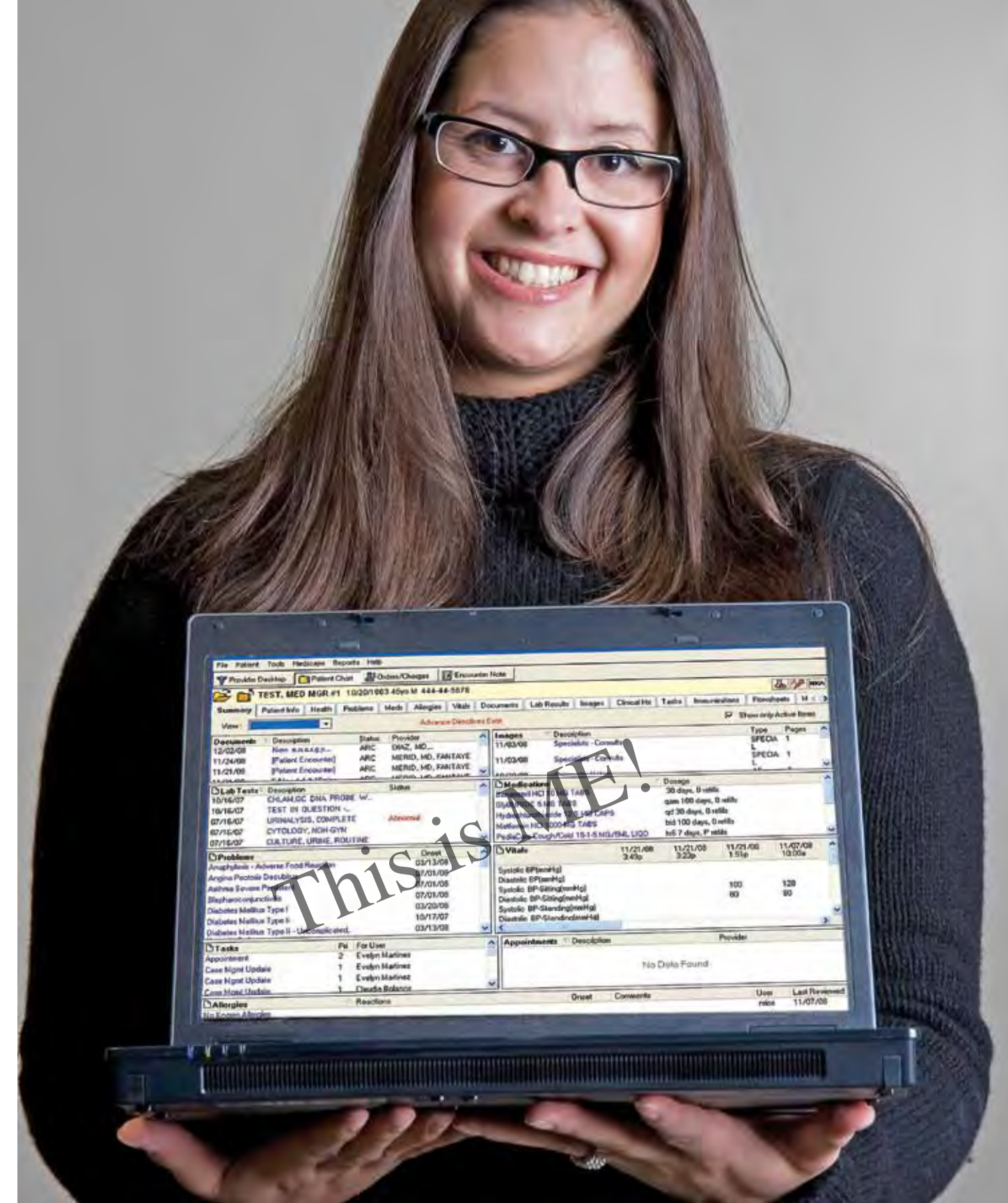
A disease management team of doctors, nurses, pharmacists, case workers, peer health promoters and the patient all work together to manage the disease.

Electronic Health Records

The EHR system empowers patients. Through instant visual graphs, a patient can see the results of how their diet and lifestyle changes have affected the course of their disease.

Supporting the disease management team are many powerful tools. Electronic health records ensure that healthcare professionals have immediate access to the patient's full medical history.

Electronic health records are fully implemented in the seven QueensCare Family Clinics. The clinics are also working with LA County+USC Medical Center and are able to electronically transfer patient information between the two entities. These computerized medical charts record all patient visits, screenings, lab test results and key indicators. Doctors, nurses and pharmacists have immediate access, and use these records to monitor the disease progression to give timely interventions of care.




Medication Management Program

Since diabetes may require four or five different medications, it is easy for patients to make mistakes. For chronic disease management, this can have severe repercussions.

QueensCare and the USC School of Pharmacy are collaborating with QFC to teach patients to take their medications properly. Pharmacists meet with patients, explain the medications and their importance in managing their condition. They give detailed instructions about how and when to take the drugs. They also discuss nutrition and exercise and how all of this helps them have a better quality of life.

Two pharmacists, pharmacy residents and fourth year pharmacy students work in the clinics as part of the disease management team.



QueensCare
800-454-1800

EAGLE ROCK ECHO PARK WILSHIRE
 EAST LOS ANGELES HOLLYWOOD

PATIENT'S FULL NAME: _____ DATE: _____
PATIENT'S ADDRESS: _____ DOB: _____

CHECK PAYOR: SELF PAY COI QUEENSCARE OTHER

R, DISPENSE GENERIC, UNLESS CHECKED

Take all prescriptions as directed...

Let's talk about it first...

REFILL: _____
DR. NAME: _____ DEA: _____

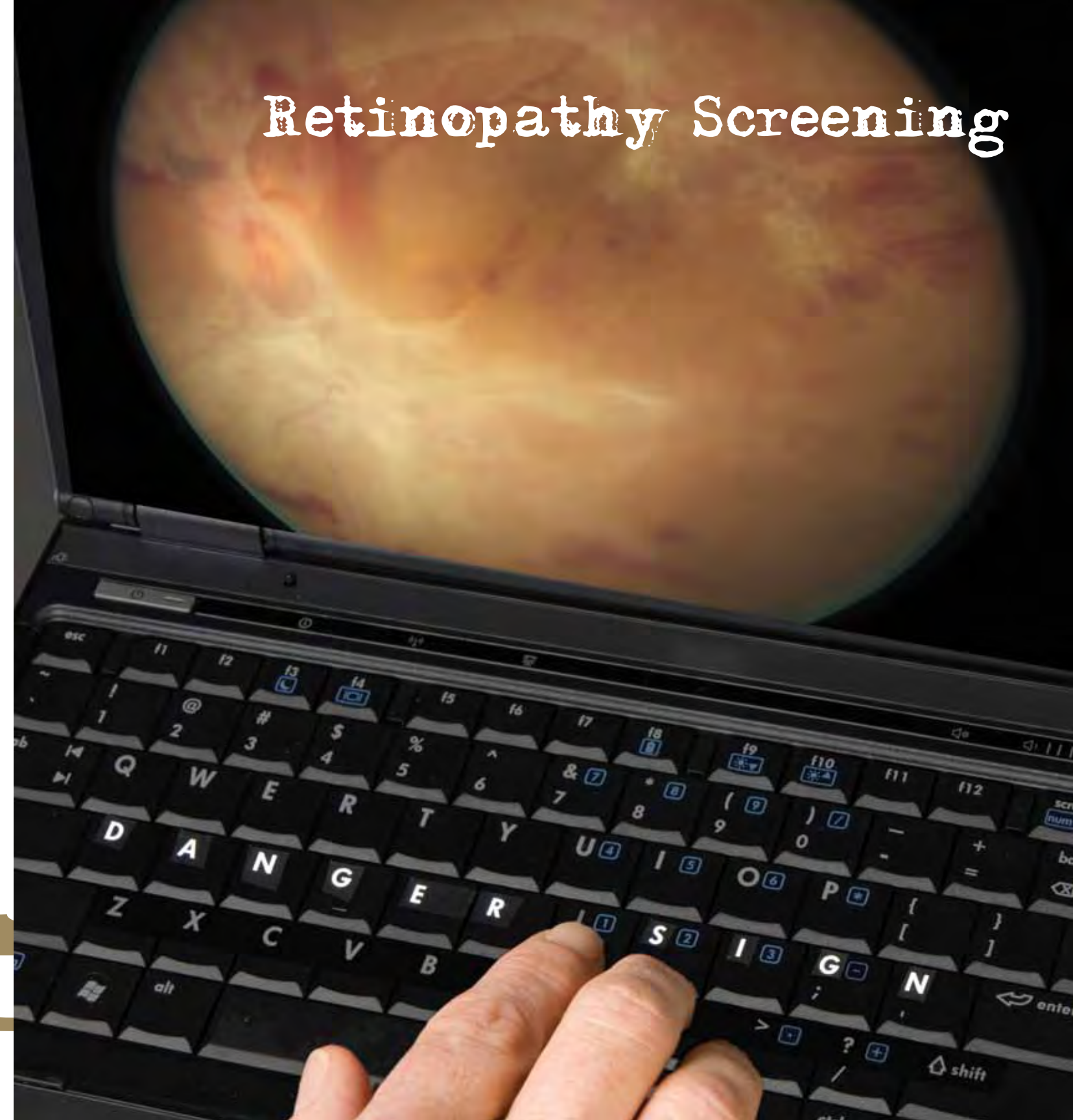
In-clinic Screening, Specialty Care

Diabetic care involves many medical disciplines, notably podiatry and ophthalmology. In diabetic disease management, regular examination of the feet and eyes is essential in addressing problems early before they become severe.

At QueensCare Family Clinics, podiatrists and ophthalmologists rotate among the clinics to serve diabetic and other patients with special needs.

Diabetic retinopathy is the leading cause of blindness among working age adults. Early detection is critical. With a retinal camera that is connected to the EyePACS system, doctors can access and review the images online and take action, if necessary.

Retinopathy Screening



Financial Information

Note: the financial information contained in these pages was taken from the audited financial statements of QueensCare Family Clinics for the years ended June 30, 2007 and June 30, 2008.

QueensCare Family Clinics

(formerly known as Franciscan Clinics dba QueensCare Family Clinics)

Statement of Financial Position

For the years ended June 30, 2008 and 2007

	2008	2007
Assets		
Cash & cash equivalents	\$938,385	\$791,460
Accounts receivable, net	\$864,780	\$978,448
Grants receivable	\$89,567	\$263,137
Inventories	\$778,728	\$761,746
Prepaid expenses and other receivables	\$39,940	\$111,950
Due from affiliate organization	\$193,315	\$118,703
Leasehold improvements & equipment, net	\$1,873,496	\$2,167,230
Other assets	\$185,638	\$132,568
Total assets	\$4,963,849	\$5,325,242
Liabilities & net assets		
Accounts payable	\$415,598	\$441,052
Accrued expenses	\$40,500	\$52,977
Accrued payroll, sick and vacation pay	\$720,254	\$580,651
Total liabilities	\$1,176,352	\$1,074,680
Net assets		
Unrestricted	\$3,064,021	\$3,559,890
Temporarily restricted	\$723,476	\$690,672
Total net assets	\$3,787,497	\$4,250,562
Total liabilities and net assets	\$4,963,849	\$5,325,242

Statement of Activities

For the years ended June 30, 2008 and 2007

	2008	2007
Revenue		
Net patient revenue	\$12,176,444	\$11,621,793
Other revenue	\$298,522	\$263,235
QueensCare Family Clinics/QueensCare Partnership	\$4,647,524	\$4,481,696
Contributions	\$4,179,077	\$5,124,437
Total revenue and support	\$21,301,567	\$21,491,161
Expenses		
Salaries, wages, and employee benefits	\$12,525,566	\$11,021,829
Pharmaceuticals, medical and dental supplies	\$3,266,066	\$3,597,274
Physician fees and purchased services	\$1,902,380	\$2,017,790
Office and non-medical supplies	\$548,830	\$366,128
Professional and legal fees	\$644,762	\$602,539
Depreciation expense	\$675,048	\$606,588
Rent	\$1,007,226	\$742,415
Other operating expenses	\$1,194,754	\$1,370,486
Total operating expenses	\$21,764,632	\$20,325,049
Changes in Net Assets	(\$463,065)	\$1,166,112
Net Assets, beginning of year	\$4,250,562	\$3,084,450
Net Assets, end of year	\$3,787,497	\$4,250,562

Grants Received

We could not provide over 130,000 patient visits, integrative care and innovative programs for our patients without the ongoing support from QueensCare, healthcare agencies, foundations, and government.

Listed below are contributions received during Fiscal Year 2007-2008.

Contributions Received

Beckman Research Institute - City of Hope	\$15,000
Beta Healthcare Group	\$1,465
Blessed Sacrament Church	\$100
California DHS - WISEWOMAN	\$229,369
Care1st Health Plan	\$2,000
Community Clinic Association of L.A. County	\$22,731
COPE Health Solutions	\$15,000
eScrip	\$25
Health Resources and Service Administration (HRSA)	\$1,280,202
Healthy Families	\$9,340
Joseph J. Herron	\$100
L.A. Care Health Plan	\$257,743
L.A. County DHS Children's Outreach, Enrollment, Utilization, & Retention Program	\$38,962
L.A. County DHS Immunization Project	\$32,072
L.A. County Diabetic Program	\$20,500
Laddaran Medical Group	\$250
MEDPIN - Medication Project	\$102,568
Patient Assistance Program Pharmaceuticals	\$2,080,088
Sisters of St. Francis	\$10,000
United Way	\$22,499
United Way - PCFD	\$20
Augusto Zablan, M.D.	\$500
<hr/>	
Total	\$4,140,534

QueensCare Family Clinics Board



Sitting (l to r): Fr. Angelos Youssef, Sr. Judy Murphy, CSJ (*Secretary*), Allan Michelena (*Chair*), Margaret B. English (*Vice Chair*), Archbishop Vatche Hovsepian

Standing (l to r): Frank Rey de Perea, Nongyao Varanond, Richard McLaughlin, Pieter Noomen, Th.D., Rev. Wayne R. Negrete, SJ, Margarita Duarte Tucker, Shirley Daniels, Javier "Jay" Guerena (*Treasurer*)

not pictured: Sr. Louise Bernstein Alvarez, Jorge Blanco, Willy Ruiz



QueensCare

FAMILY CLINICS



Echo Park Clinic
150 North Reno Street
Los Angeles, CA 90026
(213) 380-7298

Hollywood Clinic
4618 Fountain Avenue
Los Angeles, CA 90029
(323) 953-7170

Eagle Rock Clinic
4448 York Boulevard
Los Angeles, CA 90041
(323) 344-5233

Bresee Clinic
184 South Bimini Place
Los Angeles, CA 90004
(213) 201-6878

Eastside Clinic
4560 East Cesar Chavez Ave.
Los Angeles, CA 90022
(323) 780-4510

East Los Angeles Clinic
133 North Sunol Drive
Los Angeles, CA 90063
(323) 981-1660



Bo Hoon Lee
Wilshire Clinic
3242 West 8th Street
Los Angeles, CA 90005

*At press time, the Wilshire Clinic is closed
indefinitely due to a building fire.
Please call (323) 671-2434
for current clinic information.*

General Information (800)454-1800

Executive Offices

1300 North Vermont Avenue, Suite 1002
Los Angeles, CA 90027

www.QueensCareFamilyClinics.org