

**BEAUFORT-JASPER-HAMPTON COMPREHENSIVE
HEALTH SERVICES, INC.
RIDGELAND, SOUTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
MAY 31, 2012 AND 2011**

**BEAUFORT-JASPER-HAMPTON COMPREHENSIVE
HEALTH SERVICES, INC.**

RIDGELAND, SOUTH CAROLINA

FOR THE YEARS ENDE MAY 31, 2012 AND 2011

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McGregor & COMPANY^{LLP}

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.
Ridgeland, South Carolina

We have audited the accompanying balance sheets of Beaufort-Jasper-Hampton Comprehensive Health Services, Inc., (a nonprofit organization), as of May 31, 2012 and 2011, 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 Organization's management. 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 present fairly, in all material respects, the financial position of Beaufort-Jasper-Hampton Comprehensive Health Services, Inc., as of May 31, 2012 and 2011, and the results of its operations, 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 *Government Auditing Standards*, we have also issued our report dated February 28, 2013, on our consideration of Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGuire's Company, LLP

Columbia, South Carolina
February 28, 2013

BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.

BALANCE SHEETS

MAY 31, 2012 AND 2011

	2012	2011
Assets		
Current Assets		
Cash	\$2,317,936	\$2,287,616
Assets Limited as to Use -		
Certificates of Deposit Designated For Working Capital	833,073	823,100
Government Grants Receivable	1,043,583	258,050
Unconditional Promises to Give	3,302	9,904
Accounts Receivable, Less Allowance for Doubtful Accounts of \$1,553,307 and \$1,344,577, Respectively	1,297,161	1,338,108
Estimated Retroactive Adjustments - Third-Party Payors Receivable from Employees	25,476	25,530
Accounts Receivable - Other	7,545	2,325
Inventories	216,070	157,107
Prepaid Expenses	118,070	104,241
	100,444	110,446
Total Current Assets	5,962,660	5,116,427
Property and Equipment at Cost, Net	11,139,759	7,381,670
Other Assets		
Deposits	4,430	4,430
Investments	93,165	106,536
Total Assets	17,200,014	12,609,063

BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.

BALANCE SHEETS

MAY 31, 2012 AND 2011

	2012	2011
Liabilities and Net Assets		
Current Liabilities		
Current Portion of Long-Term Notes Payable	\$ 256,162	\$ 69,896
Accounts Payable	1,230,483	214,038
Accrued Expenses	605,262	518,392
Accrued Vacation Payable	561,174	550,380
Deferred Revenue	151,070	104,271
Total Current Liabilities	<u>2,804,151</u>	<u>1,456,977</u>
Long-Term Liabilities		
Notes Payable, Net of Current Portion	<u>1,534,651</u>	<u>1,793,448</u>
Total Long-Term Liabilities	<u>1,534,651</u>	<u>1,793,448</u>
Total Liabilities	<u>4,338,802</u>	<u>3,250,425</u>
Net Assets - As Restated		
Unrestricted		
Undesignated	11,467,756	7,767,802
Designated by Board of Directors for Working Capital	833,073	823,100
	<u>12,300,829</u>	<u>8,590,902</u>
Temporarily Restricted	493,703	701,056
Permanently Restricted	66,680	66,680
Total Net Assets	<u>12,861,212</u>	<u>9,358,638</u>
Total Liabilities and Net Assets	<u>17,200,014</u>	<u>12,609,063</u>

The accompanying notes are an integral part of these financial statements.

BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED MAY 31, 2012 AND 2011

	2012	2011
Unrestricted Revenue, Gains and Other Support		
Net Patient Service Revenue	\$7,130,335	\$7,301,256
Government Grants	12,408,850	9,686,281
Contract Revenue	423,713	-
Rental Income	10,628	10,378
Other Revenue	694,514	296,057
Contributions	23,427	23,049
Net Assets Released from Restrictions - Used for Operations	497,319	1,039,980
	<hr/>	<hr/>
Total Revenue, Gains and Other Support	21,188,786	18,357,001
	<hr/>	<hr/>
Expenses		
Salaries	9,910,286	9,567,143
Fringe Benefits	1,538,624	1,548,822
Patient Care Expenses	617,983	549,753
Contractual Services	516,494	550,602
Travel	101,388	120,323
Supplies - Medical and Other	1,364,884	1,374,085
Donated Drugs	111,537	102,521
Consultant Services	562,004	512,479
Occupancy	262,343	257,601
Insurance	122,780	115,599
Telephone	250,312	264,872
Repair and Maintenance	94,938	103,390
Provision for Bad Debts	407,324	324,815
Depreciation and Amortization	548,115	548,747
Interest Expense	96,904	115,896
Advertising	123,941	122,730
Subrecipient Expense	150,789	147,651
Other Operating Expenses	702,149	607,940
	<hr/>	<hr/>
Total Expenses	17,482,795	16,934,969
	<hr/>	<hr/>
Operating Income (Loss)	3,705,991	1,422,032
	<hr/>	<hr/>
Non-Operating Gains (Loss)		
Interest Income	17,308	24,877
Dividend Income	3,424	5,086
Realized and Unrealized Gains on Other Than Trading Securities	(13,371)	23,994
Rental Income	-	3,250
Gain (Loss) on Disposition of Capital Assets	(3,425)	(6,806)
	<hr/>	<hr/>
Total Non-Operating Gains	3,936	50,401
	<hr/>	<hr/>
Increase (Decrease) in Unrestricted Net Assets	3,709,927	1,472,433
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEARS ENDED MAY 31, 2012 AND 2011

	2012	2011
Unrestricted Net Assets:		
Operating Income (Loss)	\$ 3,705,991	\$ 1,422,032
Non-Operating Gains	3,936	50,401
	<hr/>	<hr/>
Increase (Decrease) in Unrestricted Net Assets	3,709,927	1,472,433
	<hr/>	<hr/>
Temporarily Restricted Net Assets:		
Contributed Drugs for Indigent Patients	111,216	88,229
Contribution for the Low Country Breast Cancer Prevention Education Project	71,828	84,481
Contribution - AVON Project - Breast Cancer Care	35,000	39,241
Contribution - Environmental Health Project	-	14,898
Contribution - A.T. Still University	-	357,294
Contribution - Teachers Wellness Program	-	5,952
Contribution - March of Dimes	49,728	39,673
Contribution - SC Campaign to Prevent Teen Pregnancy	2,500	10,963
Contribution - Kresge Foundation	-	250,000
Contribution - Hilton Head Foundation	-	5,373
Contribution - CHARN	-	14,536
Contribution - BELT	16,392	6,250
Contribution - Women's Empowerment	-	6,249
Contribution - United Way EHP	3,302	-
Net Assets Released from Restrictions Used for Operations	(497,319)	(1,039,980)
	<hr/>	<hr/>
Increase in Temporarily Restricted Net Assets	(207,353)	(116,841)
	<hr/>	<hr/>
Increase (Decrease) in Net Assets	3,502,574	1,355,592
Net Assets, Beginning of Year	9,358,638	8,003,046
	<hr/>	<hr/>
Net Assets, End of Year	12,861,212	9,358,638
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MAY 31, 2012 AND 2011

	2012	2011
Cash Flows from Operating Activities		
Change in Net Assets	\$ 3,502,574	\$ 1,355,592
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities and Gains:		
Depreciation and Amortization	548,115	548,747
Provision for Bad Debts	407,324	324,815
Realized and Unrealized Gains (Losses) on Investments Other Than Trading	(13,371)	23,994
(Increase) Decrease in:		
Grants Receivable	(785,533)	(299,735)
Unconditional Promise to Give	6,602	1,971
Accounts Receivable	(366,377)	101,906
Estimated Retroactive Adjustment - Receivable	32	(17,855)
Receivable from Employees	(5,220)	(1,145)
Accounts Receivable - Other	(58,963)	(81,204)
Accrued Interest Receivable	-	4,699
Inventory	(13,829)	22,315
Prepaid Expenses	10,002	31,601
Increase (Decrease) in:		
Accounts Payable	1,016,445	(324,080)
Accrued Liabilities	86,870	35,040
Accrued Vacation	10,794	101,826
Estimated Retroactive Adjustment - Payable	-	(98,942)
Deferred Revenue	46,799	58,070
Net Cash Provided by Operating Activities	<u>4,392,264</u>	<u>1,787,615</u>
Cash Flows from Investing Activities		
Decrease (Increase) in Assets Limited as to Use: Designated by Board of Directors for Working Capital	9,973	238,030
Purchases of Fixed Assets	<u>(4,299,386)</u>	<u>(1,542,863)</u>
Net Cash Provided by (Used In) Investing Activities	<u>(4,289,413)</u>	<u>(1,304,833)</u>

BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MAY 31, 2012 AND 2011

	2012	2011
Cash Flows from Financing Activities		
Proceeds from Issuance of Debt	-	1,645,200
Repayments on Debt	<u>(72,531)</u>	<u>(1,362,928)</u>
Net Cash Provided by (Used In) Financing Activities	<u>(72,531)</u>	<u>282,272</u>
Net Increase (Decrease) in Cash	30,320	765,054
Cash, Beginning of Year	<u>2,287,616</u>	<u>1,522,562</u>
Cash, End of Year	<u><u>2,317,936</u></u>	<u><u>2,287,616</u></u>
Supplemental Disclosure		
Cash Paid for Interest	<u>96,904</u>	<u>115,896</u>

The accompanying notes are an integral part of these financial statements.

FINANCIAL STATEMENTS

BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 Background and Summary of Significant Accounting Policies

Nature of Activities

Beaufort-Jasper-Hampton Comprehensive Health Services, Inc. (the Organization) is a comprehensive ambulatory family health care provider. The Organization provides comprehensive health care and environmental sanitation services to residents of Beaufort, South Carolina and the surrounding areas of Beaufort, Hampton and Jasper Counties.

Financial Statement Presentation

The financial statement presentation follows the recommendations of the American Institute of Certified Public Accountants' Audit and Accounting Guide, Health Care Organizations.

Basis of Accounting -

The accompanying financial statements are prepared on the accrual basis of accounting. Financial statement presentation follows Generally Accepted Accounting Principals (GAAP). Under GAAP, the Organization is required to report information regarding its financial position and activities according to three Classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Contributions

The Organization follows GAAP when accounting for contributions received and contributions made." In accordance with GAAP, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donors restrictions.

Under GAAP, temporarily restricted support is reclassified to unrestricted net assets on expiration or fulfillment of the donor restrictions.

Financial Instruments

The following methods and assumptions were used by the Organization to estimate fair value of each class of financial asset and liability for which it is practical to estimate that value. The Organization did not change the methods and assumptions used to determine fair value of its financial instruments during the year ended May 31, 2012.

Cash and Cash Equivalents and Accounts Receivable and Accounts Payable: Fair values approximate respective carrying values due to the short maturities of those instruments.

Notes Payable: Fair Value approximates carrying value since borrowing or stated rates are similar to rates currently available to the Organization for bank loans with similar terms and remaining maturities.

Note 1 Background and Summary of Significant Accounting Policies (Continued)

Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Revenue

Grants -

The Organization recognizes Federal grant awards to the extent that allowable grant expenses have been incurred. Federal grant funds received prior to incurring allowable grant program expenses are recorded as deferred grant revenue. Deferred grant revenue balances at the grant program ending date is refundable to the Federal government or may be carried over to the subsequent grant period at the discretion of the Federal government. Federal grant awards represent approximately 55% and 48% of total revenue and support in the years ended May 31, 2012 and 2011, respectively.

Third-Party Contractual Adjustments -

Retroactively calculated third-party contractual adjustments are accrued on an estimated basis in the period the related services are rendered. Net patient service revenue is adjusted as required in subsequent periods based on final settlements.

Net Patient Service Revenue -

Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

Other Revenue -

Other revenue results from various health center program services and activities. These amounts were used primarily to meet the funding source matching or cost sharing requirements. Subject to the provisions of grant agreements, revenues realized in excess of the required matching or cost sharing amount may be utilized to absorb program costs currently or may be carried over to subsequent grant periods.

Charity Care -

The Organization's policy is to provide charity care to patients who are unable to pay. Such patients are identified and related net charges are estimated, based on financial information obtained from the patient and subsequent analysis. Since management does not expect payment for charity care, the estimated net charges are excluded from revenue.

Note 1 Background and Summary of Significant Accounting Policies (Continued)

Trade Accounts Receivable

Accounts receivable are stated at the amount management expects to collect on outstanding balances. Management maintains an allowance for probable uncollectible amounts based on its assessment of the current status of individual accounts. A provision for bad debts is made periodically to adjust the allowance for amounts which have not been collected in a reasonable period of time. Uncollectible balances are written-off through a charge to the valuation allowance and a credit to accounts receivable. All balances which have been outstanding over 30 days are considered delinquent.

Non-Expendable Property

Property acquired is considered owned by the Organization. However, the United States Government has a reversionary interest in property purchased with Federal funds or acquired through government appropriations; therefore, its disposition as well as ownership of any proceeds there from is subject to Federal regulations. The Organization capitalizes all non-expendable property acquisitions of \$500 or more. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets ranging from two to forty years.

Capital Leases

Capital lease obligations are recorded at the present value of the future minimum payments discounted at the interest rate implicit in the lease(s). A corresponding amount is capitalized as the value of the asset and depreciated over its estimated useful life, generally five years.

Funds on Deposit

Funds on deposit are in institutions insured by the Federal government.

Investments

The Organization follows Generally Accepted Accounting Principles when recording and reporting on Investments. The standards require that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statement of financial position. Accordingly, investments are reflected at fair market value at May 31, 2012 and 2011.

The fair market value of investments in securities traded on national securities exchanges were valued at the closing price on the last business day of the fiscal year. The fair value of equity interest in a closely held entity is estimated at cost as there is no market for the securities.

Inventories

The Organization capitalizes inventories of pharmaceutical supplies and drugs. Purchased inventories are stated at cost. Donated inventories are stated at fair market value at date of donation.

Note 1 Background and Summary of Significant Accounting Policies (Continued)

Income Tax Status

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal or state income taxes. The Organization is not a private foundation under Section 170(b)(1)(A)(vi) of the Internal Revenue Code. The Organization is not currently undergoing examination of any previously filed tax returns; however, the returns filed for the most recent three years remain available for examination by taxing

Advertising Costs

Advertising costs, consisting primarily of advertisement of employment opportunities and services offered by the Organization, are expensed as incurred.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Reclassifications

Certain 2011 financial statement amounts have been reclassified to conform to the current year presentation with no effect on changes in net assets.

Note 2 Estimated Retroactive Adjustments

The Organization provides health care services to Medicare and Medicaid covered patients. Reimbursements for covered services are based on tentative payment rates. The actual reimbursement is determined after the submission of an annual cost report which is audited by the intermediaries. Provisions for estimated reimbursement adjustments are reported in the financial statements in the period that the services are provided.

The estimated net receivables were approximately \$25,476 as of the year ended May 31, 2012, and \$25,530 as of the year ended May 31, 2011. These estimates are based on settlements proposed by the intermediary subsequent to May 31, 2012.

Note 3 Unconditional Promises to Give

Unconditional promises to give consist of the following:

	2012	2011
United Way of Beaufort - Environmental Health Project	\$ 3,302	\$ 9,904
Receivable in Less Than One Year	<u>\$ 3,302</u>	<u>\$ 9,904</u>

Note 4 Investments

Long-term investments consist of the following:

Level 1 Inputs:

Investments in securities traded on national securities valued at the closing price on the last business day of the fiscal year.

Level 3 Inputs:

Equity interest in a closely held entity valued at cost as there is no market for the security.

	2012	2011
Level 1 Inputs	\$ 68,165	\$ 81,536
Level 3 Inputs	<u>25,000</u>	<u>25,000</u>
	<u>\$ 93,165</u>	<u>\$106,536</u>

The following schedule summarizes the investment return and its classification in the statements of operations for the years ended May 31, 2012 and 2011 for the Level 1 Inputs.

	2012	2011
Unrestricted:		
Dividend Income	\$ 3,424	\$ 5,086
Realized and Unrealized Gain (Loss)	<u>(13,371)</u>	<u>23,994</u>
Total Investment Return	<u>\$ 9,947</u>	<u>\$ 29,080</u>

Note 5 Property, Plant and Equipment

Property, plant and equipment consist of the following at May 31:

	2012	2011
Land	\$ 536,286	\$ 514,022
Buildings, Improvements and Fixed Equipment	10,521,154	10,516,650
Office Furniture and Equipment	2,690,854	2,573,760
Vehicles	155,108	221,835
Medical Equipment	1,237,546	1,352,488
Other Equipment	50,399	63,770
Construction-in-Progress	<u>4,741,302</u>	<u>625,330</u>
	19,932,649	15,867,860
Less: Accumulated Depreciation	<u>(8,792,890)</u>	<u>(8,486,190)</u>
	<u>\$ 11,139,759</u>	<u>\$ 7,381,670</u>

Depreciation expense includes amortization of capital leases.

Note 6 Debt

Long-Term Debt	2012	2011
Long-term debt consists of the following:		
\$312,072 note payable to Ameris Bank; interest rate of 6.587%; monthly payments of \$3,557.33 with the final payment due on May 10, 2013; secured by the building and land at 20 Elm Street, Hampton, S. C.	\$ 211,101	\$ 238,883
\$130,000 payable to BB&T; interest rate of 4.625%; 60 monthly payments of \$1,361.84 with the final payment due on October 5, 2020; secured by 10 acres in Bluffton, SC.	112,505	124,138
\$1,515,200 payable to BB&T; interest rate of 5.250%; 84 monthly payments of \$9,167.10 with the final payment due on October 5, 2035; secured by Ridgeland facility.	<u>1,467,207</u>	<u>1,500,323</u>
	1,790,813	1,863,344
Less: Current Portion	<u>(256,162)</u>	<u>(69,896)</u>
	<u>\$ 1,534,651</u>	<u>\$ 1,793,448</u>

Maturities of principal balances outstanding at May 31, 2012, are as follows:

Year Ended May 31,	Amount
2013	\$ 256,162
2014	47,409
2015	49,881
2016	116,313
2017	41,581
Thereafter	<u>1,279,467</u>
Total	1,790,813
Less: Current Portion	<u>(256,162)</u>
	<u>\$ 1,536,651</u>

Note 7 Operating Leases

The Organization leases clinic space in Beaufort, Estill, and Ridgeland, South Carolina. Also, some equipment and vehicles have been acquired under operating leases.

Total operating lease expense for the years ended May 31, 2012 and 2011, is \$225,923 and \$213,094, respectively.

Minimum future lease payments under operating leases are:

2013	\$ 207,156
2014	142,237
2015	129,269
2016	129,269
2017	<u>58,689</u>
	<u>\$ 666,620</u>

Note 8 Pension Plans

The Organization's retirement plan, a money purchase pension plan, covers employees who have completed three months of service and are at least 21 years of age. Each year, the Organization contributes 3% of each participant's compensation. Effective May 31, 2006, the plan was frozen and no contributions were incurred for the year ended May 31, 2012. The Plan was terminated on May 24, 2012.

In June, 2008 the Organization established a profit sharing plan, a noncontributory defined contribution plan covering substantially all employees of the Organization who are at least 18 years of age and have completed one year of service. The Organization's contributions to the plan are discretionary. From inception of the plan, no contributions have been made.

Note 9 Grants

Total government grants consist of:

	2012	2011
U. S. Dept. of Health and Human Services		
Community Health Centers	\$5,995,668	\$5,902,704
Migrant Health Centers	612,729	564,109
Ryan White HIV Disease	490,131	476,049
Increased Services to Health Centers	-	175,910
Capital Improvement Program	171,500	666,080
Facilities Improvement	3,645,000	250,000
Rural Health Care Services Outreach	115,414	130,624
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation for Surveillance Systems (B)	200	570
Total U. S. Dept. of Health and Human Services	11,030,642	8,166,046
U. S. Department of Agriculture		
Women, Infants and Children Program	465,291	490,062
Beaufort County, South Carolina		
Indigent Health Care	847,917	965,173
Jasper County, South Carolina		
Indigent Health Care	65,000	65,000
	\$12,408,850	\$ 9,686,281

Note 10 Donated Supplies and Facilities

Effective July 1, 1998, the building housing the St. Helena Clinic was donated to the Organization with the restriction that it will be used as a medical clinic or the title reverts to Beaufort County. The fair market value of the building, net of accumulated depreciation, is included in temporarily restricted net assets. The fair market value of the donated land is presented as permanently restricted net assets (see Note 14).

A drug company donated drugs to the Organization for distribution to patients who meet certain qualifications. The estimated fair market value of drugs contributed, based on the donor's established wholesale prices, is \$111,537 and \$102,521, for the years ended May 31, 2012 and 2011, respectively. The donated drugs are included in inventory at fair market value and expensed as dispensed to patients.

Note 11 Contingencies

Financial awards from Federal, State and local governmental entities are subject to special compliance requirements and audit. No provision has been made in the financial statements for any liability that may arise from such audit.

Note 12 Concentration of Credit Risk

The Organization provides credit to its patients. A substantial percentage of patients are insured under third party payor agreements. The percentage receivable from patients and third party payors for the years ended May 31, 2012 and 2011, was as follows:

	2012	2011
Medicare	31%	17%
Medicaid	19%	44%
Other Third-Party Payor	17%	21%
Patients	<u>33%</u>	<u>18%</u>
	<u>100%</u>	<u>100%</u>

Note 13 Construction Commitments

The Organization has two ongoing construction projects as of May 31, 2012. These projects include new buildings at St. Helena and Chelsea locations. The Organization has total outstanding construction commitments at May 31, 2012 of \$3,936,341.

Note 14 Uninsured Cash Balances

The Organization deposits its cash in banks which are insured by the Federal Deposit Insurance Corporation (FDIC). The total on deposit at each bank is insured up to a limit of \$250,000. The amount deposited at May 31, 2012, exceeded the FDIC insured limit by \$1,044,894 and \$1,178,222 as of May 31, 2011.

Note 15 Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2012	2011
Donated Property - St. Helena	\$267,155	\$283,766
United Way of Beaufort - Environment Health Project	14,903	19,677
Pfizer-Sharing the Care - Donated Drugs	45,093	44,773
Heritage Classic Foundation - Reach Back and Read Program	3,461	3,461
Hilton Head Foundation -	3,315	5,822
Susan G. Koman Breast Cancer Foundation - Low Country Breast Cancer Prevention Education Project	27,325	15,057
Avon Foundation Breast Cancer Care	31,131	32,736
School Health Index Project	1,000	1,000
Teachers Wellness	9,436	9,436
March of Dimes	4,842	2,707
SC Campaign to Prevent Teen Pregnancy	10,623	9,684
Kresge Foundation	43,743	220,786
Women Empowerment	405	1,545
Modular Unit Improvement - Migrant	<u>31,450</u>	<u>36,920</u>
Total Temporarily Restricted Net Assets	<u>\$ 493,703</u>	<u>\$ 701,056</u>

Permanently restricted net assets consist of the fair market value of donated land as of the date of donation (see Note 10). Permanently restricted net assets balance at May 31, 2012 and 2011, is \$ 66,680 and \$66,680, respectively.

Net assets released from restrictions by incurring expenses and capital expenditures satisfying restricted purposes or by occurrence of other events specified by donors:

	2012	2011
Used for Operations:		
United Way of Beaufort	\$ 8,076	\$ 12,538
Pfizer-Sharing the Care	110,896	81,083
Hilton Head Foundation	2,687	10,746
St. Helena Location	16,611	16,612
Susan G. Komen Breast Cancer Foundation	59,560	95,768
Avon Foundation Breast Cancer Care	36,605	43,482
A.T. Still University Program		409,806
Capital Improvement Program		171,500
CHARN	4,075	4,924
BELT	26,002	2,175
Women's Empowerment	1,140	4,704
Teachers Wellness Conf		11,904
March of Dimes	47,593	82,518
SC Campaign to Prevent Teen Pregnancy	1,561	3,507
Kresge Foundation	177,043	83,244
Migrant Program - Modular Unit	<u>5,470</u>	<u>5,469</u>
Total Assets Released from Restrictions	<u>\$497,319</u>	<u>\$ 1,039,980</u>

Note 16 Charity Care

The Organization has a policy of providing a fee discount to patients based upon Federal poverty guidelines. These amounts, which are excluded from revenues, totaled \$3,833,034 and \$2,889,695, during the years ended May 31, 2012 and 2011, respectively, when measured at the Organization's established rate.

Note 17 Classification of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis below. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses	2012		
	Program Services	General and Administrative Services	Total
Salaries	\$6,876,409	\$3,033,877	\$9,910,286
Fringe Benefits	1,061,650	476,974	1,538,624
Patient Care Expenses	617,983	-	617,983
Contractual Services	470,671	45,823	516,494
Travel	99,063	2,325	101,388
Supplies – Medical and Other	1,231,688	133,196	1,364,884
Donated Drugs	111,537	-	111,537
Consultant Services	293,596	268,408	562,004
Occupancy	81,326	181,017	262,343
Insurance	97,121	25,659	122,780
Telephone	172,716	77,596	250,312
Repair and Maintenance	65,508	29,430	94,938
Provision for Bad Debt	407,324	-	407,324
Depreciation and Amortization	378,200	169,915	548,115
Interest Expense	66,837	30,067	96,904
Advertising	-	123,941	123,941
Sub-recipient Expense	150,789	-	150,789
Other Operating Expenses	484,483	217,666	702,149
Total Expenses	\$ 12,666,901	\$4,815,894	\$ 17,482,795

Expenses	2011		
	Program Services	General and Administrative Services	Total
Salaries	\$6,638,314	\$2,928,829	\$9,567,143
Fringe Benefits	1,068,687	480,135	1,548,822
Patient Care Expenses	549,753	-	549,753
Contractual Services	501,753	48,849	550,602
Travel	117,564	2,759	120,323
Supplies – Medical and Other	1,239,991	134,094	1,374,085
Donated Drugs	102,521	-	102,521

Note 17 Classification of Expenses (Continued)

Expenses (Continued)	2011		
	Program Services	General and Administrative Services	Total
Consultant Services	267,724	244,755	512,479
Occupancy	79,856	177,745	257,601
Insurance	91,441	24,158	115,599
Telephone	182,762	82,110	264,872
Repair and Maintenance	71,340	32,050	103,390
Provision for Bad Debt	324,815	-	324,815
Depreciation and Amortization	378,636	170,111	548,747
Interest Expense	79,968	35,928	115,896
Advertising	-	122,730	122,730
Sub-recipient Expense	147,651	-	147,651
Other Operating Expenses	419,479	188,461	607,940
Total Expenses	\$ 12,262,255	\$ 4,672,714	\$ 16,934,969

Note 18 Subsequent Events

On December 31, 2012, the Facility Investment Program grant period of availability ended. One of the two projects covered under this grant was not completed during the period of availability. The Organization has requested an extension to complete the project. No extension approval has been granted as of the issue of these financial statements.

In December 2012, the Organization was awarded an Affordable Care Act Grant for School-Based Health Centers Capital Program grant from the Department of Health and Human Services in the amount of \$418,150. The funds were awarded for the purchase of a Mobile Health Unit. The period of availability of funds for the grant is December 1, 2012 through November 30, 2014 and all funds are subject to the terms and conditions outlined in the Notice of Grant Award.

In December 2012, the Organization received a loan totaling \$506,100 payable in 60 monthly installments at 3.97% interest. This loan is to be used for the purchase of Radiology Equipment.

Effective July 1, 1998, the building housing the St. Helena Clinic was donated to the Organization with the restriction that it will be used as a medical clinic or the title reverts to Beaufort County. In July, 2012 the clinic relocated to a new facility and the transfer of the building back to the County is expected.

In January, 2013 the Organization entered into a financing agreement to finance the installation of new telephone system hardware in the amount of \$158,965 to be repaid over a period of 60 months at 4.25% interest rate.

The Organization has evaluated the effects subsequent events would have on the financial Statements through the date of the auditors' report, which is the date the financial statements were available for issuance.

SUPPLEMENTARY INFORMATION

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1906-1968

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H.O. Crider, Jr, CPA

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

To the Board of Directors of
Beaufort-Jasper-Hampton Comprehensive
Health Services, Inc.
Ridgeland, SC

We have audited the financial statements of Beaufort-Jasper-Hampton Comprehensive Health Services, Inc. as of and for the year ended May 31, 2012, and have issued our report thereon dated February 28, 2013. 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

Management of Beaufort-Jasper-Hampton Comprehensive Health Services, Inc. is responsible for establishing and maintain effective internal control over financial reporting. In planning and performing our audit, we considered Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'s internal control over financial reporting as a basis for designing 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 Beaufort-Jasper-Hampton Comprehensive Health Services Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'s internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was designed to identify all deficiencies in internal control over financial reporting 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 previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'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*

We noted certain matters that we reported to management of Beaufort-Jasper-Hampton Comprehensive Health Services, inc. in a separate letter dated February 28, 2013.

This report is intended solely for the information and use of management, the Board of Directors, finance committee 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.

McGregor & Company LLP

Columbia, South Carolina
February 28, 2013

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
Beaufort-Jasper-Hampton Comprehensive
Health Services, Inc.
Ridgeland, SC

Compliance

We have audited Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'s major federal programs for the year ended May 31, 2012. Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'s major federal programs are 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 each of its major federal programs is the responsibility of Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'s management. Our responsibility is to express an opinion on Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'s compliance 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 Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'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 Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'s compliance with those requirements.

In our opinion, Beaufort-Jasper-Hampton Comprehensive Health Services, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended May 31, 2012.

Internal Control Over Compliance

Management of Beaufort-Jasper-Hampton Comprehensive Health Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliances that we consider to be a material weakness, as defined above

Board of Directors of
Beaufort-Jasper-Hampton Comprehensive
Health Services, Inc.
Page 3

This report is intended solely for the information and use of management, the Board of Directors, the finance committee 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.

McGregor & Company, LLP

Columbia, South Carolina
February 28, 2013

BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED MAY 31, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass - Through Grantor's Number	Expenditures
Department of Health and Human Services			
Direct Programs:			
Community Health Centers	93.224	N/A	\$ 5,995,668
Migrant Health Centers	93.224	N/A	612,729
Total Health Center Cluster			<u>6,608,397</u>
ARRA - Capital Improvement Program	93.703	N/A	171,500
ARRA - Facilities Improvement Program	93.703	N/A	3,645,000
Rural Health Care Services Outreach Grant Program	93.912	N/A	115,414
Early Intervention Services	93.918	N/A	490,131
Passed through SCDHEC:			
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance	93.988	30216-060806	200
Department of Agriculture			
Passed through SCDHEC:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	WC-7-1121	<u>465,291</u>
Total Expenditures of Federal Awards			<u><u>11,495,933</u></u>

See Note to Schedule of Federal Awards

BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED MAY 31, 2012

Note 1 The accompanying Schedule of Expenditures of Federal Awards includes the federal activity of Beaufort-Jasper-Hampton Comprehensive Health Services, Inc., and is presented on the modified cash basis of accounting. Certain capital and debt service expenditures are added and non-cash expenses are deducted from expenses per the basic financial statements to derive the amounts in this schedule. 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,"* and the grantor agencies.

Note 2 The Organization provides Federal awards to sub-recipients as follows:

Program Title	Federal CFDA Number	Amount
Migrant Health Centers	93.224	<u>\$ 150,789</u>

BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED MAY 31, 2012

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

--Significant Deficiency(s) identified that are not considered to be material weaknesses? yes none reported

--Material weakness(es) identified? yes no

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

--Significant Deficiency (s) identified that are not considered to be material weaknesses? yes none reported

--Material weakness(es) identified? yes no

Type of auditors' report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
93.224	Health Center Cluster
93.703	Capital Improvement Program
93.703	Facilities Improvement Program

Dollar threshold used to distinguish between type A and type B programs: \$ 344,878

Auditee qualified as low-risk auditee? yes no

Schedule of Findings and Questioned Costs
Page 2

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None

BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED MAY 31, 2012

Financial Statement

2011- 01 Revenue Recognition

Condition: A prior period adjustment was necessary in the current year to record \$240,741 in revenue earned in prior periods

Status: Item was not present in the current year.

Major Program - Department of Health and Human Services

2011 - 02 Davis-Bacon Documentation

Condition: During our testwork over grant expenditures, we noted that management did not have evidence of compliance with the requirement to have certified payrolls for project expenditures

Status: Item was not present in the current year.