



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

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2014 AND 2013**

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

FOR THE YEARS ENDED MAY 31, 2014 AND 2013

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
BALANCE SHEETS	3
STATEMENTS OF OPERATIONS	4
STATEMENTS OF CHANGES IN NET ASSETS	5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7-18
SUPPLEMENTARY INFORMATION	
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	19-20
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	21-22
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	23
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	24
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	25-26
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	27
CORRECTIVE ACTION	28

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Beaufort-Jasper-Hampton Comprehensive Health Services, Inc. (a nonprofit organization), which comprise the balance sheets as of May 31, 2014 and 2013, and the related statements of operations, changes in net assets, and cash flows for the years 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 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 from 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 Beaufort-Jasper-Hampton Comprehensive Health Services, Inc. as of May 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2015, 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* in considering Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'s internal control over financial reporting and compliance.



Columbia, South Carolina
February 25, 2015

FINANCIAL STATEMENTS

BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.
BALANCE SHEETS
MAY 31, 2014 AND 2013

	2014	2013
Assets		
Current Assets		
Cash and Cash Equivalents-Unrestricted	\$ 865,483	\$ 1,076,734
Assets Limited as to Use -		
Certificates of Deposit Designated for Working Capital	-	457,730
Government Grants Receivable	358,453	293,604
Unconditional Promises to Give	3,302	3,302
Patient Accounts Receivable		
Less: Allowances for Contractual Adjustments and Doubtful		
Accounts of \$4,119,432 and \$2,728,332, Respectively	472,349	960,600
Estimated Retroactive Adjustments - Third-Party Payors	9,147	522,005
Employee Receivables	11,998	13,919
Accounts Receivable - Other	286,679	218,901
Inventory	80,403	110,729
Prepaid Expenses	111,215	101,737
	<hr/>	<hr/>
Total Current Assets	2,199,029	3,759,261
Property and Equipment at Cost, Net	16,086,592	15,978,672
Other Assets		
Deposits	4,430	4,430
Investments	118,370	108,558
	<hr/>	<hr/>
Total Assets	<u>\$ 18,408,421</u>	<u>\$ 19,850,921</u>
Liabilities and Net Assets		
Current Liabilities		
Current Portion of Long-Term Notes Payable	242,564	204,728
Line of Credit	-	300,000
Accounts Payable	297,364	305,089
Accrued Expenses	403,406	289,586
Accrued Vacation Payable	639,132	619,579
Deferred Revenue	444,499	277,322
	<hr/>	<hr/>
Total Current Liabilities	2,026,965	1,996,304
Long-Term Liabilities		
Notes Payable, Net of Current Portion	2,896,708	2,131,983
	<hr/>	<hr/>
Total Long-Term Liabilities	2,896,708	2,131,983
	<hr/>	<hr/>
Total Liabilities	<u>\$ 4,923,673</u>	<u>\$ 4,128,287</u>
Net Assets		
Unrestricted		
Undesignated	13,370,977	15,130,295
Designated by Board of Directors for Working Capital	-	457,730
	<hr/>	<hr/>
Temporarily Restricted	13,370,977	15,588,025
	113,771	134,609
	<hr/>	<hr/>
Total Net Assets	13,484,748	15,722,634
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 18,408,421</u>	<u>\$ 19,850,921</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, 2014 AND 2013

	2014	2013
Unrestricted Revenue, Gains and Other Support		
Patient Service Revenue (Net of Contractual Allowances and Discounts)	\$ 6,779,849	\$ 8,142,625
Provision for Bad Debts	<u>(735,219)</u>	<u>(745,771)</u>
Net Patient Service Revenue	6,044,630	7,396,854
Government Grants	9,329,229	12,872,211
Other Grant and Contract Revenue	428,907	461,618
Contributions	1,535	22,249
Rental Income	17,464	20,003
State Appropriations	240,842	105,174
Other Revenue	478,651	402,123
Net Assets Released from Restrictions - Used for Operations	<u>172,771</u>	<u>556,272</u>
Total Unrestricted Revenue, Gains and Other Support	<u>16,714,029</u>	<u>21,836,504</u>
Expenses		
Salaries	10,517,907	10,574,378
Employee Benefits	1,862,347	1,770,146
Patient Care Expenses	945,750	758,097
Contractual Services	563,553	541,507
Travel	83,367	112,768
Supplies - Medical and Other	1,498,232	1,316,924
Donated Drugs	49,112	75,290
Consultant Services	611,524	602,933
Occupancy	298,583	260,812
Insurance	170,889	156,271
Telephone	253,423	260,580
Repairs and Maintenance	70,946	78,111
Depreciation and Amortization	900,474	554,886
Interest Expense	132,662	105,679
Advertising	87,696	150,246
Subrecipient Expense	156,023	137,105
Other Operating Expense	<u>747,507</u>	<u>781,663</u>
Total Expenses	<u>18,949,995</u>	<u>18,237,396</u>
Operating Income/(Loss)	<u>(2,235,966)</u>	<u>3,599,108</u>
Non-Operating Income/(Loss)		
Interest Income	3,990	11,833
Dividend Income	4,847	4,982
Realized and Unrealized Gains on Other than Trading Securities	9,813	15,393
Gain/(Loss) on Disposal of Capital Assets	<u>267</u>	<u>(344,119)</u>
Total Non-Operating Income/(Loss)	<u>18,917</u>	<u>(311,911)</u>
Increase/(Decrease) in Unrestricted Net Assets	<u>\$ (2,217,049)</u>	<u>\$ 3,287,197</u>

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, 2014 AND 2013

	2014	2013
Unrestricted Net Assets:		
Operating Income/(Loss)	\$ (2,235,966)	\$ 3,599,108
Non-Operating Income/(Loss)	<u>18,917</u>	<u>(311,911)</u>
Increase/(Decrease) in Unrestricted Net Assets	<u>(2,217,049)</u>	<u>3,287,197</u>
Temporarily Restricted Net Assets:		
Contributions	151,934	197,178
Net Assets Released from Restrictions - Used for Operations	<u>(172,771)</u>	<u>(556,272)</u>
Increase/(Decrease) in Temporarily Restricted Net Assets	<u>(20,837)</u>	<u>(359,094)</u>
Permanently Restricted Net Assets:		
Donated Land	<u>-</u>	<u>(66,680)</u>
Increase/(Decrease) in Permanently Restricted Net Assets	<u>-</u>	<u>(66,680)</u>
Increase/(Decrease) in Net Assets	(2,237,886)	2,861,423
Net Assets, Beginning of Year	<u>15,722,634</u>	<u>12,861,211</u>
Net Assets, End of Year	<u><u>\$ 13,484,748</u></u>	<u><u>\$ 15,722,634</u></u>

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, 2014 AND 2013

	2014	2013
Cash Flows from Operating Activities		
Change in Net Assets	\$ (2,237,886)	\$ 2,861,423
Adjustments to Reconcile Change in Net Assets to		
Net Change Provided By (Used In) Operating Activities and Gains:		
Depreciation and Amortization	900,474	554,886
Provisions for Bad Debt	(735,219)	(745,771)
Realized and Unrealized Gains (Losses) on Investments		
Other than Trading	9,813	15,393
(Increase) Decrease in:		
Government Grants Receivable	(64,849)	749,979
Patient Accounts Receivable	1,223,470	1,082,331
Employee Receivables	512,858	(496,529)
Estimated Retroactive Adjustments - Third-Party Payors	1,921	(6,374)
Accounts Receivable - Other	(67,778)	(2,831)
Inventory	30,326	7,340
Prepaid Expenses	(9,478)	(1,292)
Increase (Decrease) in:		
Accounts Payable	(7,725)	(925,398)
Accrued Expenses	113,820	(315,676)
Accrued Vacation Payable	19,553	58,405
Deferred Revenue	167,177	126,252
	<u>(143,523)</u>	<u>2,962,138</u>
Net Cash Provided By (Used In) Operating Activities		
Cash Flow from Investing Activities		
Decrease (Increase) in Assets Limited as to Use -		
Certificates of Deposit Designated for Working Capital	457,730	375,318
Purchase of Fixed Assets	(1,028,019)	(5,424,583)
	<u>(570,289)</u>	<u>(5,049,265)</u>
Net Cash Provided By (Used In) Investing Activities		
Cash Flow from Financing Activities		
Proceeds from Issuance of Debt	1,000,000	1,145,589
Repayments on Debt	(497,439)	(299,691)
	<u>502,561</u>	<u>845,898</u>
Net Cash Provided By (Used In) Financing Activities		
Net Increase (Decrease) in Cash	<u>(211,251)</u>	<u>(1,241,229)</u>
Cash and Cash Equivalents, Beginning of Year	<u>1,076,734</u>	<u>2,317,963</u>
Cash and Cash Equivalents, End of Year	<u>\$ 865,483</u>	<u>\$ 1,076,734</u>
Supplemental Disclosure		
Cash Paid for Interest	<u>\$ 132,662</u>	<u>\$ 105,679</u>

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

BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

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.

The net assets of the Organization are classified and reported as follows:

Unrestricted

Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in achieving the primary objectives of the Organization.

Temporarily Restricted

Net assets that are subject to donor-imposed stipulations that will be met either by the actions of the Organization and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the accompanying statement of activities and changes in net assets as net assets released from restrictions. As of May 31, 2014 and 2013, Temporarily Restricted Net Assets were \$113,771 and \$134,609, respectively.

Permanently Restricted

Net assets that are subject to donor-imposed stipulations that neither expire by the passage of time, nor can be fulfilled or removed by actions of the Organization. There were no permanently restricted net assets as of May 31, 2014 and 2013.

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 donor's restrictions.

Under GAAP, temporarily restricted support is reclassified to unrestricted net assets on expiration or fulfillment of the donor restrictions. If the restriction is satisfied in the year of the contribution it is treated as unrestricted.

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

Receivables

Accounts receivable are stated at the net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustment under reimbursement agreements. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future period as final settlements are determined.

Substantially all of the Organization's accounts receivable is related to providing healthcare services to patients. Collection of these accounts receivable is the Organization's primary source of cash and is critical to operating performance. The Organization's primary collection risks related to uninsured patients and outstanding patient balances for which the primary and secondary insurance has paid some but not all of the outstanding balance, with the remaining outstanding balance (generally deductibles and co-payments) owed by the patient.

The process of estimating the allowance for doubtful accounts requires the Organization to estimate the collectability of patient accounts receivable, which is primarily based on collection history, adjusted for expected recoveries. Collections are impacted by the economic ability of patients to pay and the effectiveness of collection efforts. Significant changes in payor mix, economic conditions, or trends in federal and state governmental healthcare coverage could affect the collection of accounts receivable.

The allowance for doubtful accounts was \$4,119,432 and \$2,728,332, for the years ended May 31, 2014 and 2013, respectively.

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, 2014.

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.

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 50.52% and 54.52% of total revenue and support in the years ended May 31, 2014 and 2013, respectively.

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

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, including estimated retroactive adjustments under reimbursement agreements with third-party payors. For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of uninsured patients will be unable or unwilling to pay for services provided. Thus, the Organization records a significant provision of bad debts related to these services.

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.

Recognition

Amounts recognized as revenues are subject to retrospective review and laws and regulations that are extremely complex and subject to interpretation; as a result, a reasonable possibility exists that recorded estimates will change by a material amount in the near future.

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 Deposit Insurance Corporation (FDIC).

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, 2014 and 2013.

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

The fair market value of investments in securities traded on national securities exchanges was 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.

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 authorities.

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

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 \$9,147 and \$522,005 as of the year ended May 31, 2014 and 2013, respectively. These estimates are based on settlements proposed by the intermediary subsequent to May 31, 2014.

3. Unconditional Promises to Give

Unconditional promises to give consist of the following:

	2014	2013
United Way of Beaufort - Environmental Health Project	<u>\$ 3,302</u>	<u>\$ 3,302</u>
Receivable in Less Than One Year	<u>\$ 3,302</u>	<u>\$ 3,302</u>

4. Investments

Level 1 Inputs:

Level 1 inputs are based on observable quoted prices for identical assets in active markets.

Level 3 Inputs:

Level 3 inputs are based on valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Level 3 inputs also reflect managements own assumptions or expectations.

Long-term investments consist of the following:

	2014	2013
Level 1 Inputs	\$ 93,370	\$ 83,558
Level 3 Inputs	<u>25,000</u>	<u>25,000</u>
Total Investments	<u>\$ 118,370</u>	<u>\$ 108,558</u>

The following schedule summarizes the investment return and its classification in the statements of operations for the years ended May 31, 2014 and 2013 for the Level 1 Inputs.

	2014	2013
Unrestricted:		
Dividend Income	\$ 4,847	\$ 4,982
Realized and Unrealized Gain (Loss)	<u>9,813</u>	<u>15,393</u>
Total Investment Return	<u>\$ 14,660</u>	<u>\$ 20,375</u>

5. Assets Whose Use is Limited

Assets whose use is limited consisted of Certificates of Deposit that are designated for working capital. As of May 31, 2014 and 2013, assets limited as to use totaled \$0 and \$457,730, respectively.

6. Property, Plant and Equipment

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

	2014	2013
Land	\$ 581,506	\$ 581,506
Buildings, Improvements and Fixed Equipment	19,290,197	18,429,557
Office Furniture and Equipment	3,313,088	3,083,124
Vehicles	155,108	155,108
Medical Equipment	2,229,754	2,122,596
Other Equipment	57,556	51,947
Construction in Progress	-	200,021
	<u>25,627,209</u>	<u>24,623,859</u>
Less: Accumulated Depreciation	<u>(9,540,617)</u>	<u>(8,645,187)</u>
	<u>16,086,592</u>	<u>15,978,672</u>
Assets Acquired Under Capital Lease	204,168	204,168
Less: Accumulated Amortization	<u>(204,168)</u>	<u>(204,168)</u>
	<u>-</u>	<u>-</u>
Total Property, Plant and Equipment, Net	<u><u>\$ 16,086,592</u></u>	<u><u>\$ 15,978,672</u></u>

As of May 31, 2014 and 2013, depreciation expense was \$900,474 and \$554,886, respectively. Depreciation expense includes amortization of capital leases.

7. Debt

Long-term debt consists of the following:

	2014	2013
\$312,072 note payable to Ameris Bank; interest rate of 4.25%; monthly payments of \$3,352.14 maturing on May 10, 2018, secured by Hampton facility.	\$ 150,792	\$ 183,981
\$506,100 note payable to Wells Fargo Bank, N.A.; interest rate of 3.97%; monthly payments of \$9,313.75 with final payment due on December 15, 2017; secured by equipment.	380,683	467,649
\$130,000 note payable to BB&T; interest rate of 4.625%; monthly payments of \$1,361.84 with final payment due on October 5, 2020; secured by 10 acres in Bluffton, SC.	88,539	101,727
\$159,003 note payable to CBC National Bank; interest rate of 4.25%; monthly payments of \$2,950.15 with final payment due on February 8, 2018; secured by equipment.	119,232	148,841
\$1,515,200 note payable to BB&T; interest rate of 5.25%; monthly payments of \$9,167.10 with final payment due on October 5, 2017; secured by Ridgeland facility.	1,400,026	1,434,513
\$1,000,000 note payable to BB&T; interest rate of 4.99%; monthly payments of \$6,646.11 with final payment due on May 5, 2019	<u>1,000,000</u>	<u>-</u>
	3,139,272	2,336,711
Less: Current Portion	<u>(242,564)</u>	<u>(204,728)</u>
Total Long-Term Debt, Net of Current Portion	<u>\$ 2,896,708</u>	<u>\$ 2,131,983</u>

Maturities of principal balances outstanding at May 31, 2014, are as follows:

2015	\$ 242,564
2016	318,255
2017	253,008
2018	1,455,306
2019	<u>870,139</u>
	3,139,272
Less: Current Portion	<u>(242,564)</u>
Total	<u>\$ 2,896,708</u>

8. 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, 2014 and 2013, is \$242,950 and \$235,832, respectively.

Minimum future lease payments under operating leases are:

2015	\$	186,805
2016		167,195
2017		76,689
2018		24,300
2019		<u>18,000</u>
Total	\$	<u>472,989</u>

9. Pension Plans

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.

10. Grants

Total government grants consist of:

	2014	2013
U.S. Dept. of Health and Human Services		
Community Health Centers	\$ 6,278,008	\$ 6,059,517
Migrant Health Centers	689,967	617,487
Early Intervention Services	503,590	561,967
ACA Grants for School Based Health Centers Capital Grant	475,988	181,000
Facilities Improvement	-	4,017,493
Cooperative Agreements for State Based Diabetes Control Programs and Evaluation for Surveillance Systems (B)	<u>201</u>	<u>239</u>
Total U.S. Dept. of Health and Human Services	<u>7,947,754</u>	<u>11,437,703</u>
U.S Department of Agriculture		
Women, Infants, and Children Program	<u>497,183</u>	<u>467,133</u>
Beaufort County, South Carolina		
Indigent Health Care	<u>825,000</u>	<u>902,083</u>
Jasper County, South Carolina		
Indigent Health Care	<u>65,292</u>	<u>65,292</u>
Total Government Grants	<u>\$ 9,335,229</u>	<u>\$ 12,872,211</u>

11. Net Patient Revenue

The Organization has agreements with third-party payors that provide payments to the Organization at amounts different from its established rates. A summary of the payment agreements with third-party payors follows:

Medicare

Medical services rendered to Medicare program beneficiaries are paid under a cost-based reimbursement system. The Organization is reimbursed at a tentative ("interim") rate, with final settlement determined after submission of the annual cost report by the Organization and audit thereof by the fiscal intermediary.

Medicaid

Medical services rendered to Medicaid beneficiaries are paid under a cost-based reimbursement system. The Organization is reimbursed at a tentative ("interim") rate, with final settlement determined after submission of the annual cost report by the Organization and audit thereof by the fiscal intermediary.

Other Third-Party Payors

The Organization has also entered into reimbursement agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined per diem rates.

12. Donated Supplies and Facilities

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 \$49,112 and \$75,290, for the years ended May 31, 2014 and 2013, respectively. During the year ended May 31, 2013, the Organization terminated the donated drug program. The donated drugs were included in inventory at fair market value and expensed as dispensed to patients.

13. 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.

14. 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, 2014 and 2013, was as follows:

	2014	2013
Medicare	67.02%	35.52%
Medicaid	4.77%	39.01%
Other Third-Party Payor	24.54%	23.66%
Patients	<u>3.67%</u>	<u>1.81%</u>
	<u>100%</u>	<u>100%</u>

15. 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, 2014 and 2013, exceeded the FDIC insured limit by \$104,824 and \$162,115, respectively.

16. Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes. Net assets are released from restrictions by incurring expenses and capital expenditures, satisfying restricted purposes or by occurrence of other events specified by donors.

<u>Purpose</u>	<u>Balance May 31, 2013</u>	<u>Contributions</u>	<u>Used for Operations</u>	<u>Balance May 31, 2014</u>
Susan G. Komen Breast Cancer Foundation				
Low Country Breast Cancer Prevention Education Project	\$ 18,796	\$ 89,893	\$ 46,433	\$ 62,256
United Way of Beaufort - Environment Health Project	2,811	-	-	2,811
Pfizer - Sharing the Care - Donated Drugs	49,112	-	49,112	-
Heritage Classic Foundation - Reach Back and Read Program	3,461	-	-	3,461
Hilton Head Foundation	3,135	-	-	3,135
Avon Foundation Breast Cancer Care	14,091	17,500	29,402	2,189
School Health Index Project	1,000	-	-	1,000
Teacher Wellness	5,436	-	-	5,436
March of Dimes	-	44,231	42,354	1,877
SC Campaign to Prevent Teen Pregnancy	10,380	-	-	10,380
Women Empowerment	405	-	-	405
Modular Unit Improvement - Migrant	25,981	-	5,470	20,511
	<u>\$ 134,608</u>	<u>\$ 151,624</u>	<u>\$ 172,771</u>	<u>\$ 113,461</u>

17. 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 \$4,321,218 and \$4,680,042, during the years ended May 31, 2014 and 2013, respectively, when measured at the Organization's established rate.

18. 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.

	2014		
	Program Services	General and Administrative Services	Total
Expenses			
Salaries	\$ 7,298,017	\$ 3,219,890	\$ 10,517,907
Employee Benefits	1,285,019	577,328	1,862,347
Patient Care Expenses	945,750	-	945,750
Contractual Services	513,554	49,999	563,553
Travel	81,455	1,912	83,367
Supplies - Medical and Other	1,340,896	145,004	1,488,232
Donated Drugs	-	-	49,112
Consultant Services	319,465	292,059	611,524
Ocupancy	92,560	206,023	298,583
Insurance	135,177	35,712	170,889
Telephone	174,862	78,561	253,423
Repairs and Maintenance	48,953	21,993	70,946
Depreciation and Amortization	617,554	277,450	900,474
Interest Expense	91,536	41,126	132,662
Advertising	-	87,696	87,696
Subrecipient Expense	156,023	-	156,023
Other Operating Expense	515,782	231,722	747,504
Total Expenses	\$ 13,616,603	\$ 5,266,475	\$ 18,949,992

18. Classification of Expenses (Continued)

	2013		
	Program Services	General and Administrative Services	Total
Expenses			
Salaries	\$ 7,337,200	\$ 3,237,178	\$ 10,574,378
Employee Benefits	1,221,400	548,746	1,770,146
Patient Care Expenses	758,097	-	758,097
Contractual Services	493,464	48,043	541,507
Travel	110,182	2,586	112,768
Supplies - Medical and Other	1,188,410	128,514	1,316,924
Donated Drugs	75,290	-	75,290
Consultant Services	314,977	287,956	602,933
Ocupancy	80,851	179,961	260,812
Insurance	123,614	32,657	156,271
Telephone	179,800	80,780	260,580
Repairs and Maintenance	53,897	24,214	78,111
Depreciation and Amortization	382,872	172,014	554,886
Interest Expense	72,918	32,761	105,679
Advertising	-	150,246	150,246
Subrecipient Expense	137,105	-	137,105
Other Operating Expense	539,352	242,311	781,663
Total Expenses	\$ 13,069,429	\$ 5,167,967	\$ 18,237,396

19. Litigation Claims

The Organization is subject to claims from litigation such as medical malpractice. Management feels that its professional and general liability insurance is adequate to cover any such claims.

20. Subsequent Events

On August 25, 2014 the U.S. Department of Health and Human Services awarded the Organization a grant in the amount of \$250,000 as part of the Affordable Care Act Patient Centered Medical Home – Facility Improvements Grant Program.

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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INDEPENDENT AUDITOR'S 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
Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.
Ridgeland, South Carolina

We have audited, in accordance with the 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, the financial statements of Beaufort-Jasper-Hampton Comprehensive Health Services, Inc. (a nonprofit organization), which comprise the balance sheet as of May 31, 2014, and the related statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 25, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'s internal control over financial reporting (internal control) to determine the 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 Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. **(2014-001)**

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 deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. **(2014-002, 2014-003)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'s financial statements are free from 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*.

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Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'s Response to Findings

Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Columbia, South Carolina
February 25, 2015

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1906-1968

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

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, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Beaufort-Jasper-Hampton Comprehensive Health Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2014.

Report on 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Columbia, South Carolina
February 25, 2015

BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2014

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Health and Human Services			
Direct Programs:			
Health Center Cluster:			
Community Health Centers	93.224	N/A	\$ 2,321,776
Migrant Health Centers	93.224	N/A	367,869
Community Health Centers	93.527	N/A	3,956,232
Migrant Health Centers	93.527	N/A	<u>322,098</u>
Total Health Center Cluster			6,967,975
ACA Grants for School Based Health Centers Capital Grant	93.501	N/A	475,988
Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	503,590
Passed through S.C. Department of Health and Environmental Control:			
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance	93.988	30216-060806	<u>201</u>
Total U.S. Department of Health and Human Services			<u>7,947,754</u>
U.S. Department of Agriculture			
Passed through S.C. Department of Health and Environmental Control:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	WC-1121	<u>497,183</u>
Total U.S. Department of Agriculture			<u>497,183</u>
Total Expenditures of Federal Awards			<u><u>8,444,937</u></u>

See Notes to Schedule of Expenditures of Federal Awards.

BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Program Title	Federal CFDA Number	Amount
Migrant Health Centers	93.224	<u>\$ 156,023</u>

**BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2014**

A SUMMARY OF AUDIT RESULTS

Financial Statements

Type of Auditors' Report Issued: Unmodified

Internal Control Over Financial Reporting:

Material Weakness(es) Identified? X Yes No

Significant Deficiencies Identified That Are Not
Considered To Be Material Weaknesses X Yes None Reported

Noncompliance Material to Financial Statements Noted Yes X No

Federal Awards

Internal Control Over Major Federal Programs:

Material Weakness(es) Identified? Yes X No

Significant Deficiencies Identified That Are Not
Considered To Be Material Weaknesses Yes X None Reported

Type of Auditors' Report Issued on Compliance for Major
Federal Programs: Unmodified

Programs Tested as Major Programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA #:</u>
Health Center Cluster	93.224, 93.527
OP Early Intervention Services	93.918
Womens, Infants and Childrens Program	10.557

Dollar Threshold used to Distinguish Between
Type A and Type B Programs: \$300,000

Auditee Qualify as Low-Risk Auditee? X Yes No

Any Audit Findings Disclosed That are Required To Be
Reported in Accordance With Section 510(a) of OMB
Circular A-133 Yes X No

BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2014

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

2014-001 (Internal Control – Material Weakness)

Criteria – Sound internal control over financial reporting requires that there be in place adequate controls over the selection and application of accounting principles that are in conformity with Government Auditing Standards.

Condition/Effect – The Organization’s unadjusted financial statements reported material misstatements in certain current expense accounts for the period under audit. These misstatements were not prevented or detected by the Organization’s internal control over financial reporting and were not corrected by the Organization prior to the financial statements being presented for audit.

Cause – The Organization’s internal controls failed to detect errors in posting information related to payments split between contracted providers, recruiting, and advertising.

Recommendation – Beaufort-Jasper-Hampton Comprehensive Health Services, Inc. should have procedures in place to assure the proper recording of expense transactions.

2014-002 (Internal Control – Significant Deficiency)

Criteria – Sound internal control over financial reporting requires that there be in place adequate controls over the selection and application of accounting principles that are in conformity with Government Auditing Standards.

Condition/Effect – The Organization’s unadjusted financial statements reported misstatements in certain current asset accounts for the period under audit. These misstatements were not prevented or detected by the Organization’s internal control over financial reporting and were not corrected by the Organization prior to the financial statements being presented for audit.

Cause – The Organization’s internal controls failed to detect errors in posting information related to prepaid insurance and expenses.

Recommendation – Beaufort-Jasper-Hampton Comprehensive Health Services, Inc. should have procedures in place to assure the proper recording of prepaid insurance and expenses.

2014-003 (Internal Control – Significant Deficiency)

Criteria – Sound internal control over financial reporting requires that there be in place adequate controls over the selection and application of accounting principles that are in conformity with Government Auditing Standards.

Condition/Effect – The Organization’s unadjusted financial statements reported misstatements in certain cash bank accounts for the period under audit. These misstatements were not prevented or detected by the Organization’s internal control over financial reporting and were not corrected by the Organization prior to the financial statements being presented for audit.

Cause – The Organization’s internal controls failed to detect errors when performing bank reconciliations to the operating bank account.

Recommendation – Beaufort-Jasper-Hampton Comprehensive Health Services, Inc. should have procedures in place to assure the proper completion of bank reconciliations.

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, 2014**

FINDINGS – FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

**BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.
CORRECTIVE ACTION
FOR THE YEAR ENDED MAY 31, 2014**

2014-001 (Internal Control – Material Weakness)

Cause – The Organization’s internal controls failed to detect errors in posting information related to payments split between contracted providers, recruiting, and advertising.

Auditee’s Response – We will implement additional processes to strengthen internal controls in this area to prevent a future occurrence.

2014-002 (Internal Control – Significant Deficiency)

Cause – The Organization’s internal controls failed to detect errors in posting information related to prepaid insurance and expenses.

Auditee’s Response – We will implement additional processes to strengthen internal controls in this area to prevent a future occurrence.

2014-003 (Internal Control – Significant Deficiency)

Cause – The Organization’s internal controls failed to detect errors when performing bank reconciliations to the operating bank account.

Auditee’s Response – We will implement additional processes to strengthen internal controls in this area to prevent a future occurrence.