

CATAWBA CARE, INC.
Rock Hill, South Carolina

FINANCIAL AUDIT REPORT

December 31, 2012

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Independent Auditor's Report

Board of Directors
Catawba Care, Inc.
Rock Hill, South Carolina

Report on the Financial Statements

I have audited the accompanying basic financial statements of Catawba Care, Inc., which comprise the statement of financial position as of December 31, 2012, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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. Those standards require that I 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 Organization'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 Organization's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

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

Supplementary and Other Information

My 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 the Office of Management and Budget Circular A-133, *Audits of State, Local Government, and Non-Profit Organizations* and is also 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 my 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*, I have also issued a report dated June 14, 2013 on my consideration of Catawba Care, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Catawba Care, Inc.'s internal control over financial reporting and compliance.



Phillip C. Jarrell, LLC
Certified Public Accountant

Hazlehurst, Georgia
June 14, 2013

Catawba Care, Inc.
Rock Hill, South Carolina

Statement of Financial Position

December 31, 2012

(With comparative totals for the year ended December 31, 2011)

ASSETS		
	2012	2011
Current Assets:		
Cash and cash equivalents	\$ 3,562,052	\$ 2,399,664
Grants receivable	542,175	397,770
Miscellaneous receivables	580,824	272,429
Investments	105,481	105,211
Inventories (net)	7,657	18,576
Prepaid expenses and other assets	43,101	59,371
Total current assets	4,841,290	3,253,021
Noncurrent Assets:		
Property and equipment:		
Land	155,000	155,000
Buildings	990,833	986,985
Equipment	120,749	97,271
Accumulated depreciation	(143,749)	(115,467)
Net property and equipment	1,122,833	1,123,789
Total noncurrent assets	1,122,833	1,123,789
TOTAL ASSETS	\$ 5,964,123	\$ 4,376,810
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 321,451	\$ 378,038
Accrued payroll liabilities	48,925	41,516
Accrued compensated absences	29,180	33,253
Current portion of long-term debt	-	-
Total current liabilities	399,556	452,807
Non-current Liabilities:		
TOTAL LIABILITIES	-	-
Net Assets:		
Unrestricted		
Board-designated	3,743,394	2,360,673
Invested in property and equipment	1,122,833	1,123,789
Undesignated	681,804	432,609
Total unrestricted	5,548,031	3,917,071
Temporarily restricted	16,536	6,932
Total net assets	5,564,567	3,924,003
TOTAL LIABILITIES AND NET ASSETS	\$ 5,964,123	\$ 4,376,810

The accompanying notes are an integral part of this statement.

Catawba Care, Inc.
Rock Hill, South Carolina

Statement of Activities
For the Year Ended December 31, 2012
(With comparative totals for the year ended December 31, 2011)

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets 2012	Totals 2011
SUPPORT AND REVENUE				
Contributions:				
Contributions	\$ 12,660	\$ 250	\$ 12,910	\$ 138,136
Special events revenue	39,013	-	39,013	37,055
Cost of direct benefits to donors (special events)	(16,591)	-	(16,591)	(13,486)
Contributed goods, services & facilities usage	65,546	-	65,546	23,878
Assets released from restrictions	46	(46)	-	-
Total Contributions	100,674	204	100,878	185,583
Grant revenues:				
Corporate and foundation	-	130,217	130,217	112,449
United Way	-	51,437	51,437	59,398
Government	-	1,775,419	1,775,419	1,718,596
Assets released from restrictions	1,947,673	(1,947,673)	-	-
Total grant revenues	1,947,673	9,400	1,957,073	1,890,443
Program revenues:				
Private insurance	63,759	-	63,759	77,809
Medicaid and Medicare	60,066	-	60,066	33,940
Medication sales - 340B program	3,473,006	-	3,473,006	2,965,153
Cost of medication sales - 340B program	(1,541,862)	-	(1,541,862)	(1,333,100)
Other	8,125	-	8,125	12,397
Total program revenues	2,063,094	-	2,063,094	1,756,199
Other revenues:				
Investment income	1,113	-	1,113	2,516
Net realized and unrealized gains/(losses) on investments	-	-	-	-
Realized gains/(losses) on sale of capital assets	-	-	-	-
Total other revenues	1,113	-	1,113	2,516
Total revenues	4,112,554	9,604	4,122,158	3,834,741
EXPENSES				
Program services:				
Medical care	1,354,414	-	1,354,414	1,178,157
Support services	585,012	-	585,012	541,023
Prevention	339,340	-	339,340	243,490
Total program services	2,278,766	-	2,278,766	1,962,670
Supporting services:				
General and administrative	186,618	-	186,618	166,357
Fundraising	16,210	-	16,210	18,491
Total supporting services	202,828	-	202,828	184,848
Total expenses	2,481,594	-	2,481,594	2,147,518
INCREASE (DECREASE) IN NET ASSETS	1,630,960	9,604	1,640,564	1,687,223
NET ASSETS - BEGINNING OF THE YEAR	3,917,071	6,932	3,924,003	2,236,780
NET ASSETS - END OF THE YEAR	\$ 5,548,031	\$ 16,536	\$ 5,564,567	\$ 3,924,003

The accompanying notes are an integral part of this statement.

Catawba Care, Inc.
Rock Hill, South Carolina

STATEMENT OF CASH FLOWS

For the year ended December 31, 2012
(With comparative totals for the year ended December 31, 2011)

	2012	2011
Cash Flows Provided From/ (Used By) Operating Activities:		
Increase/ (decrease) in net assets	\$ 1,640,564	\$ 1,687,223
Adjustments to reconcile increase/ (decrease) in net assets to net cash provided from/ (used by) operating activities:		
Depreciation	45,595	38,075
(Increase) decrease in grants receivable	(144,405)	(91,631)
(Increase) decrease in miscellaneous receivables	(308,395)	(98,071)
(Increase) decrease in inventories	10,919	(13,643)
(Increase) decrease in prepaids and other assets	16,270	(31,396)
Increase (decrease) in accounts payable	(56,856)	232,038
Increase (decrease) in accrued liabilities	3,336	3,126
Net cash provided from/ (used by) operating activities	<u>1,207,028</u>	<u>1,725,721</u>
Cash Flows Provided from/ (Used By) Capital and Related Financing Activities:		
Purchase of property and equipment	(37,114)	(7,457)
Noncash capital asset donations received	(7,526)	-
Principal payments on notes payable	-	(560,064)
Net cash provided from/ (used by) capital and related financing activities	<u>(44,640)</u>	<u>(567,521)</u>
Cash Flows Provided from/ (Used By) Investing Activities:		
Proceeds from sale of investments	-	101,351
Net cash provided from/ (used by) used by investing activities	<u>-</u>	<u>101,351</u>
Net increase (decrease) in cash	1,162,388	1,259,551
Cash and cash equivalents, beginning of year	<u>2,399,664</u>	<u>1,140,113</u>
Cash and cash equivalents, end of year	<u>\$ 3,562,052</u>	<u>\$ 2,399,664</u>

The notes to the financial statements are an integral part of this statement.

Catawba Care, Inc.
Rock Hill, South Carolina

Statement of Functional Expenses
For the Year Ended December 31, 2012
(With comparative totals for the year ended December 31, 2011)

	Program Services				Supporting Services			Grand Total	Total 2011
	Medical Care	Support Services	Prevention	Total Program Services	General and Administrative	Fundraising	Total Supporting Services		
Grants to Organizations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,834
Direct assistance to clients:									
Off-site specialty care visits	80,155	-	-	80,155	-	-	-	80,155	78,994
Medications	47,042	-	-	47,042	-	-	-	47,042	60,673
Insurance	187,879	-	-	187,879	-	-	-	187,879	91,520
Food	-	7,135	-	7,135	-	-	-	7,135	7,016
Transportation	-	20,150	-	20,150	-	-	-	20,150	13,807
Housing	-	9,612	-	9,612	-	-	-	9,612	12,906
Medication and Physician Copays	79,342	-	-	79,342	-	-	-	79,342	84,026
Medical Supplies	9,504	-	-	9,504	-	-	-	9,504	10,066
Other	-	5,890	-	5,890	-	-	-	5,890	5,452
Total grants and direct assistance	403,922	42,787	-	446,709	-	-	-	446,709	371,294
Salaries	392,538	344,479	181,009	918,026	110,802	11,563	122,365	1,040,391	986,633
Benefits	66,400	57,797	30,397	154,594	18,762	1,928	20,690	175,284	156,043
Payroll taxes	31,443	27,867	14,532	73,842	8,903	931	9,834	83,676	79,355
Physician on-site	49,225	-	-	49,225	-	-	-	49,225	48,388
Nutrition services	4,375	-	-	4,375	-	-	-	4,375	3,845
Lab services	96,943	-	58	97,001	-	-	-	97,001	94,052
340B program contracted services	165,731	-	-	165,731	-	-	-	165,731	148,362
Computer consultants	15,793	5,794	3,101	24,688	4,316	485	4,801	29,489	18,325
Donated professional services	-	20,813	7,950	28,763	-	-	-	28,763	3,992
Other professional services	36,943	14,351	6,142	57,436	13,435	12	13,447	70,883	29,671
Supplies	34,290	10,556	16,812	61,658	2,838	60	2,898	64,556	54,671
Donated supplies	2,442	2,639	32,485	37,566	961	41	1,002	38,568	2,657
Telephone	4,407	4,816	2,172	11,395	1,044	75	1,119	12,514	10,291
Postage	1,329	1,933	637	3,899	370	59	429	4,328	3,878
Rent	137	157	69	363	35	2	37	400	399
Utilities	4,211	4,569	2,111	10,891	992	72	1,064	11,955	12,730
Interest expense	-	-	-	-	-	-	-	-	12,734
Facilities maintenance	3,261	3,136	1,434	7,831	681	49	730	8,561	8,437
Donated facilities use	-	1,800	-	1,800	-	-	-	1,800	1,800
Janitorial services	1,154	1,272	572	2,998	277	20	297	3,295	3,024
Equipment rent and maintenance	1,310	361	347	2,018	71	5	76	2,094	711
Printing	1,495	1,669	781	3,945	363	26	389	4,334	4,156
Travel	4,846	13,179	12,584	30,609	7,126	21	7,147	37,756	23,210
Conferences, meetings and training	9,239	4,538	5,721	19,498	5,404	17	5,421	24,919	9,431
Insurance	3,691	3,990	2,158	9,839	4,015	62	4,077	13,916	15,586
Public relations/advertising	49	52	10,069	10,170	-	-	-	10,170	1,025
Other	1,841	1,204	309	3,354	1,665	287	1,952	5,306	4,743
Depreciation	17,399	15,253	7,890	40,542	4,558	495	5,053	45,595	38,075
Totals	\$ 1,354,414	\$ 585,012	\$ 339,340	\$ 2,278,766	\$ 186,618	\$ 16,210	\$ 202,828	\$ 2,481,594	\$ 2,147,518

The accompanying notes are an integral part of this statement.

Catawba Care, Inc.
Rock Hill, South Carolina

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 – NATURE OF ACTIVITIES

Organization

The vision of Catawba Care (CC) is to be the respected and valued provider of comprehensive HIV/AIDS prevention and care. The mission of CC is to promote optimal health by providing medical care and support services for people living with HIV/AIDS and by educating the community to prevent the spread of HIV. CC is guided by a set of values: Commitment, Compassion, Diversity, Excellence and Integrity.

Catawba Care (CC), formerly Catawba Care Coalition, was formed in 1994 to serve the HIV+ population of York, Chester and Lancaster Counties. The agency was originally housed at the York County Health Department and operated under the United Way. In 2000, CC became a not-for-profit organization and expanded to include more case managers and an on-site medical clinic. Since 2000, CC has continued to expand and merge with other agencies to alleviate duplication of services and maximize the use of limited resources. In 2010, CC relocated to a new facility to ensure more effective service delivery. Catawba Care has a unique model of care for HIV organizations in the Charlotte metropolitan area and across the state of S.C. CC's medical home model of care for people living with HIV includes on-site HIV specialty care, primary medical care, mental health counseling, medical case management, housing and food assistance, and HIV prevention education services. To identify people who are HIV positive and may not know it, CC provides free HIV testing, free testing for other sexually transmitted diseases, and prevention education programs throughout the community. Catawba Care is recognized as a leader across the region and the state by providing technical assistance services for HIV programs across South Carolina and by participating in regional and state advisory and planning groups.

Catawba Care is governed by a volunteer Board of Directors and is advised by a local Client Advisory Board. CC's Management Team is guided by a Strategic Plan and a Quality Management Plan, ensuring the provision of mission-driven, high quality services. CC contracts with an Infectious Diseases Specialist Physician who serves as the Clinic Medical Director, has a paid staff of 26 and 90 active volunteers in 2012. Catawba Care supports its activities through government funding, program income, United Way allocations, foundation grants, and contributions.

Programs

Prevention

Prevention Services are intended to prevent new HIV infections in our community. Catawba Care encourages all persons to know their HIV status and how to make healthy choices. Prevention Services include 1) free, confidential, rapid (20 minute) HIV tests on-site and throughout the community; 2) free STD (sexually transmitted diseases) testing on-site; 3) risk reduction education programs for persons at risk for HIV; 4) risk reduction education for persons living with HIV to prevent the spread of HIV; and 5) HIV prevention education programs for special populations, including youth and their parents, inmates, faith-based organizations, and any group seeking to learn more about HIV and HIV prevention.

Catawba Care, Inc.
Rock Hill, South Carolina

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 – NATURE OF ACTIVITIES (continued)

Prevention (continued)

Additionally, Catawba Care has: 1) a Speakers Bureau Program that utilizes people living with HIV/AIDS to share their personal stories to raise awareness in the community; 2) a Peer Program that utilizes people living with HIV/AIDS to provide support to others living with the disease; and 3) a Volunteer Program. All prevention services are provided at no cost to the recipient.

Medical Care

Medical care is provided in a dignified, compassionate manner, without regard for ability to pay, for people living with HIV/AIDS. With access to quality care, people living with HIV can live longer and healthier lives. Clinic services at Catawba Care include 1) on-site HIV specialty care and primary medical care; 2) specialty care referral and payment services, including oral health; 3) phlebotomy / laboratory services; 4) breast cancer education and screening services; 5) treatment adherence education; 6) on-site mental health counseling and referrals for substance abuse services; and 7) on-site nutritional counseling and provision of nutritional supplements. CC also provides financial assistance for medications as well as medical, dental, and vision insurance premiums and co-pays. For most, medical services are provided at no cost to the client. For those with financial means, CC has a sliding fee scale.

Support Services

Support Services are intended to help people living with HIV to remain engaged in medical treatment and to assist them with reducing any barriers to care. Services include 1) medical case management; 2) HIV education and advocacy; 3) outreach to those out of care; 4) educational and therapeutic support groups; 5) referral services and assistance with accessing public benefits; 6) housing services, including financial assistance with rent, mortgage, utilities and deposits; 7) transportation assistance to medical appointments; and 8) emergency food assistance. All support services are provided at no cost to the client.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES:

Financial Statement Presentation

In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements for Not-For-Profit Organization," 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. Restrictions are conditions of use specified by grantors or donors. When restrictions expire, due to passage of time or fulfillment of the purpose of the funds, temporarily restricted net assets are reclassified as unrestricted. At December 31, 2012, the Organization had temporarily restricted net assets but no permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows and a statement of functional expenses.

Contributions

The Organization is required under SFAS No. 116, "Accounting for Contributions Received and Contributions Made," to record contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Catawba Care, Inc.
Rock Hill, South Carolina

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES: (continued)

Income Tax Status

Catawba Care, Inc. is a not-for-profit organization exempt from income tax under section 501 (c)(3) of the United States Internal Revenue Code.

Currently, the 2009, 2010, and 2011 tax years are open and subject to examination by the Internal Revenue Service. However, the Organization is not currently under audit nor has the Organization been contacted by any of these jurisdictions.

Based on the evaluation of the Organization's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended December 31, 2012.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Functional Allocation of Expenses

The cost of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program and general and administrative categories based on management's estimates.

Promises to Give (Contributions Receivable)

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Contributions which carry no donor-imposed restrictions are reported as increases in unrestricted net assets. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted assets are reclassified to unrestricted net assets. At December 31, 2012, the Organization did not have any contributions receivable.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Inventories

Inventories are valued at the lower of cost or market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenses when sold rather than when purchased using the last market rate.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Catawba Care, Inc.
Rock Hill, South Carolina

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES: (continued)

Vacation and Sick Leave Compensation

The Organization allows its full time employees to accumulate vacation and sick leave, and such leave is fully vested when earned. Full-time employees with 1 year of service earn 16 days per year, two years of service earn 17 days per year, three years of service earn 19 days per year, four years of service earn 21 days per year, five years of service earn 23 days per year, six years of service earn 25 days per year, seven years of service earn 27 days per year, and eight or more years of service earn 30 days per pay year. The maximum number of days of annual leave that can be carried forward to the next calendar year is 15 days.

NOTE 3 – DEPOSITS

The Organization's deposits are insured by the Federal Depository Insurance Corporation. As of December 31, 2012, the Organization's deposits had a carrying amount of \$3,667,533 and bank balances of \$3,678,444. Of the bank balances, \$250,000 was covered by federal depository insurance for the money market accounts, unlimited coverage for the checking account and \$250,000 for investing.

The Organization's cash consists of checking accounts and a money market account. The Organization also owns a certificate of deposit at a local financial institution. The balance at December 31, 2012 was \$105,481.

NOTE 4 – GRANTS RECEIVABLE

Grants receivable at December 31, 2012 consisted of the following:

Carolinas Care Partnership		
HOPWA (Housing Opportunities for Persons with AIDS)	\$	4,548
Mecklenburg County		
Ryan White Part A		56,192
Ryan White Part A Minority AIDS Initiative		40,788
US Department of Health and Human Services		
Ryan White Part C		137,066
Affordable Care Act - Health Center Planning Grant		3,570
South Carolina Department of Health and Environmental Control:		
Ryan White Part B		152,963
Ryan White Part B: ADAP (AIDS Drug Assistance Program)		60,864
Ryan White Part B: Technical Assistance		3,160
HIV/AIDS Prevention and Risk Reduction		66,419
Housing Opportunities for Persons with AIDS (HOPWA)		7,079
United Way		9,526
Total	\$	<u>542,175</u>

Catawba Care, Inc.
Rock Hill, South Carolina

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE 5 – MISCELLANEOUS RECEIVABLES

Miscellaneous receivables at December 31, 2012 consisted of the following:

MedExpress Pharmacy – 340B Program	\$ 575,200
Insurance Receivables	4,874
Medicare	<u>750</u>
Total	<u>\$ 580,824</u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment is valued at cost if purchased and at fair market value if donated. Capitalization level for year ended December 31, 2012 was \$2,000. Depreciation is recorded using the straight-line method over estimated useful lives of three to seven years for furniture and equipment and 35 years for buildings. Depreciation charged to expense during the year was \$45,595.

	Balance at December 31, 2011	Additions	Deletions	Balance at December 31, 2012	Accumulated Depreciation	Net
Land	\$ 155,000	\$ -	\$ -	\$ 155,000	\$ -	\$ 155,000
Buildings	986,985	3,848	-	990,833	(61,118)	929,715
Furniture and equip.	97,271	40,792	(17,314)	120,749	(82,631)	38,118
	<u>\$ 1,239,256</u>	<u>\$ 44,640</u>	<u>\$ (17,314)</u>	<u>\$ 1,266,582</u>	<u>\$ (143,749)</u>	<u>\$ 1,122,833</u>

NOTE 7 – NET ASSETS

Schedule of Changes in Net Assets:

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
Balance - beginning of year	\$ 3,917,071	\$ 6,932	\$ 3,924,003
Transfers to/from temporarily restricted assets	(9,604)	9,604	-
Increase in net assets	1,640,564	-	1,640,564
Balance - end of year	<u>\$ 5,548,031</u>	<u>\$ 16,536</u>	<u>\$ 5,564,567</u>

The Board has designated net assets for the following purposes:

	Amount
Operating Reserves	\$ 1,793,394
Expansion Reserves	1,950,000
Total Designations as of December 31, 2012	<u>\$ 3,743,394</u>

Catawba Care, Inc.
Rock Hill, South Carolina

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

The following summarizes changes in temporarily restricted net assets during the year ended December 31, 2012:

FUNDING SOURCE	Balance at December 31, 2011	Funds Received/Accrued	Funds Earned	Balance at December 31, 2012
AIDS Benefit Foundation	\$ -	\$ 1,500	\$ 1,500	\$ -
Chester Healthcare Foundation	-	61,051	51,209	9,842
J Marion Sims Foundation	3,368	35,000	34,130	4,238
AIDS United	3,518	32,666	33,978	2,206
Chester Area United Way	-	1,615	1,615	-
United Way of York County	-	42,315	42,315	-
United Way of Lancaster County	-	6,699	6,699	-
Restricted Donations	46	250	46	250
	<u>\$ 6,932</u>	<u>\$ 181,096</u>	<u>\$ 171,492</u>	<u>\$ 16,536</u>

NOTE 9 – CONTRIBUTED SERVICES AND GIFTS-IN-KIND

Contributed services and gifts-in-kind include the following:

Donated professional services	\$ 28,763
Donated use of facilities	1,800
Donated equipment & materials	<u>34,983</u>
Total:	<u>\$65,546</u>

An additional \$2,090 of donated professional services and materials are included in special events revenue in the accompanying financial statements, offset in special events direct costs.

Volunteers from the community have donated a significant number of hours in assisting Catawba Care meet its mission. In addition to donated professional services included above, approximately 1,336 of service hours were provided to CC by volunteers during 2012.

NOTE 10 – DONATED ASSETS

Donated assets for the year ended December 31, 2012 include the following:

Donated server software	\$ 7,526
Donated prevention program supplies	<u>20,581</u>
Total:	<u>\$ 28,107</u>

NOTE 11 – CLAIMS AND JUDGEMENTS

At December 31, 2012, the Organization was not a defendant to any lawsuit whose outcome would be material to the financial statements. No provision was made in the audited financial statements for any contingent liabilities. In the opinion of management, there is no legal matter that will have a materially adverse affect on the Organization's financial position.

Catawba Care, Inc.
Rock Hill, South Carolina

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE 12: RISK MANAGEMENT

The Organization carries commercial insurance against all risks of loss, including property and general liability, workers' compensation, fidelity, volunteer, and public officials' liability insurance. There have been no significant reductions in insurance coverage in the prior year, and settled claims from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years.

NOTE 13: SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated the activity of the Organization through June 14, 2013 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

NOTE 14: COMMITMENTS AND CONTINGENCIES

Examinations: The Organization is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing grants given to the Organization in the current and prior years. During the year ended December 31, 2012, the Organization had three reviews conducted by grantor agencies. It was determined that the Organization had taken the appropriate corrective action to the deficiencies noted.

Grant Disallowances: Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies. If expenses are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Organization. In the opinion of management, any such adjustments would not be significant.

SUPPLEMENTARY INFORMATION

Catawba Care , Inc.
Rock Hill, South Carolina

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012

Federal Grantor and Pass-through Entity	CFDA Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Ryan White Program Part C - Early Intervention Services	93.918	\$ 541,812
Affordable Care Act - Health Center Planning Grant	93.527	64,328
Pass-through Entity: SC Dept. of Health and Environmental Control		
Ryan White Program Part B	93.917	366,716
Ryan White Program Part B - ADAP (AIDS Drug Assistance Program) Insurance Assistance	93.917	166,436
Ryan White Program Part B - ADAP (AIDS Drug Assistance Program) Co-pay Assistance	93.917	19,803
Ryan White Program Part B - Technical Assistance	93.917	9,617
HIV/AIDS Prevention and Risk Reduction	93.940	97,500
HIV Prevention Innovative Demonstration Project	93.940	65,000
Pass-through Entity: Mecklenburg County Health Department		
Ryan White Program Part A	93.914	296,221
Ryan White Program Part A - Minority AIDS Initiative	93.914	109,161
Total U.S. Department of Health and Human Services		<u>1,736,594</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Pass-through Entity: Carolina Care Partnership		
HOPWA (Housing Opportunities for Persons with AIDS)	14.241	16,834
Pass-through Entity: SC Dept. of Health and Environmental Control		
HOPWA (Housing Opportunities for Persons with AIDS)	14.241	21,991
Total U.S. Department of Housing and Urban Development		<u>38,825</u>
Total All Federal Agencies		<u>\$ 1,775,419</u>

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Catawba Care, Inc. and is presented on the accrual basis of accounting. 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

See auditor's report.

SINGLE AUDIT SECTION

Phillip C. Jarrell, LLC

Certified Public Accountant

266 Baxley Hwy.

Hazlehurst, Georgia 31539

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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

Board of Directors
Catawba Care, Inc.
Rock Hill, South Carolina

I have audited, 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, the financial statements of Catawba Care, Inc., which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements and have issued my report thereon June 14, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Catawba Care, 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Catawba Care, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of Catawba Care, Inc.'s internal control.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Catawba Care, Inc.'s financial statements will not be prevented, or detected and corrected on a timely basis. *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.

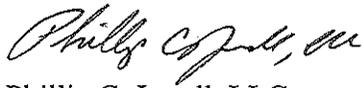
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Catawba Care, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Phillip C. Jarrell, LLC
Certified Public Accountant

Hazlehurst, Georgia
June 14, 2013

Phillip C. Jarrell, LLC

Certified Public Accountant

266 Baxley Hwy.

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INDEPENDENT AUDITOR'S 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

Board of Directors
Catawba Care, Inc.
Rock Hill, South Carolina

Report on Compliance for Each Major Program

I have audited Catawba Care, 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 Catawba Care, Inc.'s major federal program for the year ended December 31, 2012. Catawba Care, 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

My responsibility is to express an opinion on compliance for each of Catawba Care, Inc.'s major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about Catawba Care, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance with each major program. However, my audit does not provide a legal determination of Catawba Care, Inc.'s compliance.

Opinion on Each Major Program

In my opinion, Catawba Care, 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 December 31, 2012.

Report on Internal Control Over Compliance

Management of Catawba Care, 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 my audit of compliance, I considered Catawba Care, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 the OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Catawba Care, Inc.'s internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirements 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 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 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 the attention by those charged with governance.

My 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*. I did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. 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 my testing of internal control over compliance and the results of our testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Phillip C. Jarrell, LLC
Certified Public Accountant

Hazlehurst, Georgia
June 14, 2013

Catawba Care, Inc.
Rock Hill, South Carolina

December 31, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor’s Results:

Financial Statements

Type of report issued on the financial statements:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal controls over major programs:		
Material weakness(es) identified?		No
Significant deficiencies identified not considered to be material weaknesses?		None Reported
Type of report issued on the compliance for major programs:		Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?		No
Identification of major programs:	93.914	Ryan White Program Part A
	93.917	Ryan White Program Part B
Dollar threshold used to distinguish between Type A and Type B programs:		\$300,000
Did the Entity qualify as a low-risk auditee?		Yes

Section II – Financial Statement Findings:

There were no findings relating to this area for the period ended December 31, 2012.

Section III – Federal Awards:

There were no findings relating to this area for the period ended December 31, 2012.

Catawba Care, Inc.
Rock Hill, South Carolina

December 31, 2012

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

The prior audit report for the year ended December 31, 2011 contained no audit findings.