# Jefferson Comprehensive Care System, Inc.

Auditor's Reports and Financial Statements

May 31, 2014

BKD LLP
CPAs & Advisors

# Jefferson Comprehensive Care System, Inc.

**May 31, 2014**

## Contents

BKD LLP
CPAs & Advisors

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# Independent Auditor's Report

Board of Directors
Jefferson Comprehensive Care System, Inc.
Pine Bluff, Arkansas

## Report on the Financial Statements

We have audited the accompanying financial statements of Jefferson Comprehensive Care System, Inc. (the Organization), which comprise the balance sheet as of May 31, 2014, and the related statements of operations and changes in net assets 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*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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, 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 Jefferson Comprehensive Care System, Inc. as of May 31, 2014, and the results of its operations, 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 Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information including the schedule of assets, liabilities and net assets by program, schedule of activities by program, the schedule of expenditures of state awards and the schedule of expenditures of federal awards required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the table of contents, 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 September 9, 2014, on our consideration of the Organization's internal control over financial reporting and 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 the 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 the Organization's internal control over financial reporting and compliance.

BKD, LLP

Little Rock, Arkansas
September 9, 2014

# Jefferson Comprehensive Care System, Inc.
## Balance Sheet
## May 31, 2014

## Assets

| | | |
|---|---|---|
| **Current Assets** | | |
| Cash | $ | 2,955,907 |
| Patient accounts receivable, net of allowance of $738,164 | | 312,300 |
| Cost report receivable | | 94,785 |
| Grants and other receivables | | 482,382 |
| Prepaid expenses | | 85,106 |
| Total current assets | | 3,930,480 |
| **Other Assets** | | 8,341 |
| **Property and Equipment, at Cost** | | |
| Buildings | | 709,996 |
| Building improvements | | 818,247 |
| Furniture and equipment | | 1,908,973 |
| Vehicles | | 161,233 |
| | | 3,598,449 |
| Less accumulated depreciation | | 2,614,456 |
| | | 983,993 |
| Total assets | $ | 4,922,814 |

## Liabilities and Unrestricted Net Assets

| | | |
|---|---|---|
| **Current Liabilities** | | |
| Accounts payable | $ | 110,810 |
| Accrued liabilities | | 464,302 |
| Total current liabilities | | 575,112 |
| **Unrestricted Net Assets** | | 4,347,702 |
| Total liabilities and unrestricted net assets | $ | 4,922,814 |

# Jefferson Comprehensive Care System, Inc.

## Statement of Operations and Changes in Net Assets

## Year Ended May 31, 2014

| | | |
|---|---|---|
| **Unrestricted Revenues, Gains and Other Support** | | |
| Patient service revenue (net of contractual discounts and allowances) | $ | 2,993,456 |
| Provision for uncollectible accounts | | (729,884) |
| Net patient service revenue less provision for uncollectible accounts | | 2,263,572 |
| Federal, state and private grant revenues | | 7,172,951 |
| In-kind revenues | | 223,507 |
| 340B pharmacy income | | 371,122 |
| Other | | 16,720 |
| Interest income | | 833 |
| | | 10,048,705 |
| **Expenses** | | |
| Personnel | | 4,961,605 |
| Fringe benefits | | 961,764 |
| Travel | | 81,407 |
| Supplies | | 629,472 |
| Contractual | | 1,326,001 |
| Other | | 1,185,953 |
| In-kind expenses | | 223,507 |
| Depreciation | | 227,991 |
| | | 9,597,700 |
| **Change in Unrestricted Net Assets** | | 451,005 |
| **Unrestricted Net Assets, Beginning of Year** | | 3,896,697 |
| **Unrestricted Net Assets, End of Year** | $ | 4,347,702 |

# Jefferson Comprehensive Care System, Inc.
## Statement of Cash Flows
## Year Ended May 31, 2014

| | | |
|---|---|---|
| **Operating Activities** | | |
| Change in unrestricted net assets | $ | 451,005 |
| Item not requiring cash | | |
| Depreciation | | 227,991 |
| Changes in | | |
| Receivables | | 597,895 |
| Prepaid expenses | | 41,257 |
| Accrued expenses | | (130,693) |
| Accounts payable | | (56,729) |
| Net cash provided by operating activities | | 1,130,726 |
| **Investing Activities** | | |
| Purchase of property and equipment | | (139,469) |
| Net cash used in investing activities | | (139,469) |
| **Increase in Cash** | | 991,257 |
| **Cash, Beginning of Year** | | 1,964,650 |
| **Cash, End of Year** | $ | 2,955,907 |

# Jefferson Comprehensive Care System, Inc.

## Notes to Financial Statements

## May 31, 2014

## Note 1: Nature of Operations and Summary of Significant Accounting Policies

### *Nature of Operations*

Jefferson Comprehensive Care System, Inc. (the Organization) was created for nonprofit purposes to promote the general health in Pine Bluff, Arkansas, and surrounding communities (Altheimer, Redfield, Rison, Warren, College Station and Little Rock). Its principal objectives are to establish and maintain clinic facilities for the care of persons suffering from illness or disabilities; provide comprehensive services, including preventive care; and to carry on public educational activities related to rendering care to the sick and the promotion of health. The Organization was formed February 28, 1972, and commenced operations in September 1972.

The primary sources of funds for operations are grants from the U.S. Department of Health and Human Services and Arkansas Department of Health, the acceptance of which requires compliance with prescribed grant conditions and other special requirements, including the receipt of certain amounts of revenues from nongrant sources. Additional operating funds are realized from charges to patients and various other state grants. Under the terms of federal grant agreements, the Organization is subject to the uniform administrative requirements of the Office of Management and Budget Circular A-133 (the Circular), *Audits of States, Local Governments and Non-Profit Organizations*. Accordingly, management policies and procedures are designed to be in compliance with the provisions of the Circular.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Cash*

At May 31, 2014, the Organization’s cash accounts exceeded federally insured limits by approximately $2,000,000.

### *Patient Accounts Receivable*

Accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for uncollectible accounts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts.

For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

### *Property and Equipment*

Property and equipment acquisitions are recorded at cost and are depreciated on a straight-line basis over the estimated useful life of each asset. Property acquired with federal and state grants is considered owned by the Organization while used in the programs for which it was purchased or in future authorized programs. In addition, the federal and/or state government has a reversionary interest in the property. The disposition of property purchased with federal and state grant funds, as well as any proceeds from its sale, is subject to federal and state regulations.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

| | |
|---|---|
| Buildings and improvements | 10–40 years |
| Furniture and equipment | 5–10 years |
| Vehicles | 5–7 years |

### *Long-lived Asset Impairment*

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds it fair value. No asset impairment was recognized during the year ended May 31, 2014.

### *Net Patient Service Revenue*

The Organization recognizes patient revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. 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 the Organization's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Organization records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided. This provision for bad debts is presented on the statement of operations and changes in net assets as a component of net patient service revenue.

In accordance with grant requirements, the Organization provides care at amounts less than its established rates using sliding fee scale adjustments to patients who meet certain criteria. These adjustments are a component of net patient service revenue.

### *Estimated Malpractice Costs*

The Organization recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in *Note 6*.

### *Government Grants*

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

### *Compensated Absences*

Employees receive 1to 1¾ days of accrued leave per month, which is available to be taken the next month. Any accrued leave not taken by the end of the year is carried forward to the next year. The number of days employees may carry over is limited based on the number of their years of service.

The amount of accrued leave at May 31, 2014, was $262,490 and is included in accrued liabilities on the balance sheet.

### *Income Taxes*

The Organization has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Organization is no longer subject to U.S. federal examinations by tax authorities for years before 2011.

### *Subsequent Events*

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

## Note 2: Net Patient Service Revenue

The Organization is approved as a Federally Qualified Health Center (FQHC) for both Medicare and Medicaid reimbursement purposes. The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. These payment arrangements include:

Medicare: Covered FQHC services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement (capped at a maximum rate) determined after submission of an annual cost report by the Organization and audit thereof by the Medicare fiscal intermediary. Services not covered under the FQHC benefit are paid based on established fee schedules.

Medicaid: Covered FQHC services rendered to Medicaid program beneficiaries are paid based on a prospective reimbursement methodology. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report by the Organization and review thereof by Medicaid.

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

Net patient service revenue consists of charges to patients and third-party payers adjusted for contractual adjustments and fee reductions due to the inability of the patient to pay. Components of patient service revenue (excluding provision for uncollectible accounts) are as follows for the year ended May 31, 2014:

| | | |
|---|---|---|
| Medicare | $ | 456,809 |
| Medicaid | | 1,452,711 |
| Private Insurance | | 402,557 |
| Patient Fees | | 681,379 |
| Patient service revenue | $ | 2,993,456 |

## Note 3: Concentrations of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers for the year ended May 31, 2014, was as follows:

| | |
|---|---|
| Medicare | 12% |
| Medicaid | 73% |
| Other third-party payers | 12% |
| Patients | 3% |
| | 100% |

Patient accounts receivable from third-party payers and private-pay individuals have been recorded upon the providing of services. An allowance for contractual adjustments and uncollectible accounts has been recorded to reduce the receivables to the expected collectible amount. Subsequent write-offs of accounts receivable will be charged to the allowance account. Actual bad debts incurred may be materially different than the estimated allowance recorded as of May 31, 2014.

## Note 4: Functional Expenses

Expenses incurred by the Organization classified by functional categories were as follows:

| | | |
|---|---|---|
| Administrative and general (including enabling services) | $ | 3,637,869 |
| Clinical and progam services | | 5,959,831 |
| | $ | 9,597,700 |

## Note 5: Nonmonetary Transactions

The Organization received in-kind contributions of $223,507 during the year ended May 31, 2014, and consisted primarily of donated space to be utilized in its clinics.

## Note 6: Medical Malpractice Coverage and Claims

The U.S. Department of Health and Human Services has deemed the Organization and its participating providers covered under the Federal Torts Claims Act (FTCA) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap. Once deemed eligible the Organization is not liable for any settlements or judgments that are made under the FTCA when event occurs within an approved site.

Based upon the Organization’s claims experience, no accrual has been made for the Organization’s portion of medical malpractice cost as of May 31, 2014. However, because of the risk in providing health care services, it is possible that an event has occurred which will be the basis of a future medical claim.

## Note 7: Pension Plan

The Organization has a defined contribution pension plan covering substantially all employees. The board of directors annually determines the amount, if any, of the Organization’s contributions to the plan. Pension expense was $0 for the year ended May 31, 2014.

## Note 8: *Patient Protection and Affordable Care Act*

The *Patient Protection and Affordable Care Act* (PPACA) will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. The legislation required the establishment of health insurance exchanges, which will provide individuals without employer-provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible the reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products. Another significant component of PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs, such as Medicare disproportionate share, will be substantially decreased. Each state’s participation in an expanded Medicaid program is optional.

The state of Arkansas decided it will participate in the Medicaid expansion program.

PPACA is extremely complex and may be difficult for the federal government and each state to implement. While the overall impact of PPACA cannot currently be estimated, it is possible it will have a negative impact on the Organization’s net patient service revenue. In addition, it is possible the Organization will experience payment delays and other operational challenges during PPACA’s implementation.

## Note 9: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

### *Allowance for Net Patient Service Revenue Adjustments*

Estimates of allowance for adjustments included in net patient service revenue are described in *Notes 1*, *2* and *3*.

### *Medical Malpractice Claims*

Estimates related to the accrual for medical malpractice claims are described in *Notes 1* and *6.*

### *FQHC Cost Report Receivable*

Certain patient services are paid based on a cost reimbursement methodology. The Organization is reimbursed by Medicare and Medicaid for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Arkansas Medicaid and the Medicare administrative contractor. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

### *Economic Dependency*

The Organization is economically dependent upon revenue provided by the U.S. Department of Health and Human Services and the Arkansas Department of Health. During the fiscal year ended May 31, 2014, 38 percent of the Organization’s unrestricted revenues, gains and other support was provided by the Consolidated Health Centers Grant and 9 percent by the state’s Community Health Centers Grant.

# Supplementary Information

# Jefferson Comprehensive Care System, Inc.

## Schedule of Assets, Liabilities and Net Assets
## by Program
## May 31, 2014

### Assets

| | Community Health Center | HIV/STD Program | AIDS in Community Health Facilities Program | Title IV | Ryan White CARE Grant |
|---|---|---|---|---|---|
| **Current Assets** | | | | | |
| Cash | $ 2,486,134 | $ - | $ 446,261 | $ 1 | $ 23,511 |
| Patient accounts receivable, less allowance for doubtful accounts of $738,164 | 232,183 | - | 80,117 | - | - |
| Cost report receivable | 94,785 | - | - | - | - |
| Grants and other receivables | 311,524 | 11,465 | 12,845 | 13,829 | 49,609 |
| Due to/due from other programs | 73,483 | (10,866) | - | - | (30,007) |
| Prepaid expenses | 85,106 | - | - | - | - |
| Total current assets | 3,283,215 | 599 | 539,223 | 13,830 | 43,113 |
| **Other Assets** | | | | | |
| Utility deposits | 8,341 | - | - | - | - |
| **Property and Equipment, at Cost** | | | | | |
| Buildings | 709,996 | - | - | - | - |
| Building improvements | 818,247 | - | - | - | - |
| Furniture and equipment | 1,840,184 | - | 65,846 | 2,943 | - |
| Motor vehicles | 161,233 | - | - | - | - |
| | 3,529,660 | - | 65,846 | 2,943 | - |
| Less accumulated depreciation | 2,545,667 | - | 65,846 | 2,943 | - |
| | 983,993 | - | - | - | - |
| Total assets | $ 4,275,549 | $ 599 | $ 539,223 | $ 13,830 | $ 43,113 |

| AETC | PAT | Arkansas Better Chance | Total |
|---|---|---|---|
| $ - | $ - | $ - | $ 2,955,907 |
| - | - | - | 312,300 |
| - | - | - | 94,785 |
| 60,053 | 743 | 22,314 | 482,382 |
| (52,945) | 282 | 20,053 | - |
| - | - | - | 85,106 |
| 7,108 | 1,025 | 42,367 | 3,930,480 |
| - | - | - | 8,341 |
| - | - | - | 709,996 |
| - | - | - | 818,247 |
| - | - | - | 1,908,973 |
| - | - | - | 161,233 |
| - | - | - | 3,598,449 |
| - | - | - | 2,614,456 |
| - | - | - | 983,993 |
| $ 7,108 | $ 1,025 | $ 42,367 | $ 4,922,814 |

# Jefferson Comprehensive Care System, Inc.

## Schedule of Assets, Liabilities and Net Assets by Program (Continued)

## May 31, 2014

### Liabilities and Net Assets

| | Community Health Center | HIV/STD Program | AIDS in Community Health Facilities Program | Title IV | Ryan White CARE Grant |
|---|---|---|---|---|---|
| **Current Liabilities** | | | | | |
| Accounts payable | $ 110,810 | $ - | $ - | $ - | $ - |
| Accrued liabilities | 381,024 | 662 | 37,507 | 13,830 | 9,362 |
| Total current liabilities | 491,834 | 662 | 37,507 | 13,830 | 9,362 |
| **Unrestricted Net Assets (Deficit)** | 3,783,715 | (63) | 501,716 | - | 33,751 |
| Total liabilities and unrestricted net assets (deficit) | $ 4,275,549 | $ 599 | $ 539,223 | $ 13,830 | $ 43,113 |

| AETC | PAT | Arkansas Better Chance | Total |
|---|---|---|---|
| $ - | $ - | $ - | $ 110,810 |
| 8,091 | 487 | 13,339 | 464,302 |
| 8,091 | 487 | 13,339 | 575,112 |
| (983) | 538 | 29,028 | 4,347,702 |
| $ 7,108 | $ 1,025 | $ 42,367 | $ 4,922,814 |

# Jefferson Comprehensive Care System, Inc.

## Schedule of Activities by Program

## Year Ended May 31, 2014

| | Community Health Center | ADH/HIV Program | AIDS in Community Health Facilities Program | Title IV | Ryan White CARE Grant | AETC |
|---|---|---|---|---|---|---|
| **Unrestricted Revenues, Gains and Other Support** | | | | | | |
| Patient service revenue (net of contractual discounts and allowances) | $ 2,727,500 | $ - | $ 265,956 | $ - | $ - | $ - |
| Provision for uncollectible accounts | (497,726) | - | (232,158) | - | - | - |
| Net patient service revenue less provision for uncollectible accounts | 2,229,774 | - | 33,798 | - | - | - |
| Federal, state and private grant revenues | 5,080,419 | 46,811 | 638,809 | 388,488 | 128,376 | 281,682 |
| In-kind revenues | 223,507 | - | - | - | - | - |
| 340B income | - | - | 371,122 | - | - | - |
| Other | 6,120 | - | 600 | 10,000 | - | - |
| Interest income | 828 | - | - | - | 5 | - |
| Total unrestricted revenues, gains and other support | 7,540,648 | 46,811 | 1,044,329 | 398,488 | 128,381 | 281,682 |
| **Expenses** | | | | | | |
| Personnel | 3,784,269 | 20,536 | 399,066 | 205,495 | 76,615 | 141,999 |
| Fringe benefits | 706,861 | 1,900 | 77,653 | 55,192 | 14,545 | 22,802 |
| Travel | 41,005 | 3,845 | 6,768 | 6,599 | 4 | 7,978 |
| Supplies | 383,354 | 7,556 | 172,780 | 24,291 | 13,748 | 7,740 |
| Contractual | 1,033,655 | - | 144,807 | 44,424 | 7,446 | 39,132 |
| Other | 873,378 | 13,037 | 95,670 | 62,487 | 16,017 | 54,748 |
| In-kind expenses | 223,507 | - | - | - | - | - |
| Depreciation | 227,991 | - | - | - | - | - |
| Total expenses | 7,274,020 | 46,874 | 896,744 | 398,488 | 128,375 | 274,399 |
| **Interfund Transfers** | 33,588 | - | - | - | - | - |
| **Excess (Deficiency) of Revenue Over Expenses** | 300,216 | (63) | 147,585 | - | 6 | 7,283 |
| **Net Assets (Deficit), Unrestricted Beginning of Year** | 3,483,499 | - | 354,131 | - | 33,745 | (8,266) |
| **Net Assets (Deficit), Unrestricted End of Year** | $ 3,783,715 | $ (63) | $ 501,716 | $ 0 | $ 33,751 | $ (983) |

| PAT | Arkansas Better Chance | Targeted Capacity Expansion | Total |
|---|---|---|---|
| | | | |
| $ - | $ - | $ - | $ 2,993,456 |
| - | - | - | (729,884) |
| - | - | - | 2,263,572 |
| 138,828 | 469,538 | - | 7,172,951 |
| - | - | - | 223,507 |
| - | - | - | 371,122 |
| - | - | - | 16,720 |
| - | - | - | 833 |
| 138,828 | 469,538 | - | 10,048,705 |
| 96,317 | 237,308 | - | 4,961,605 |
| 22,920 | 59,891 | - | 961,764 |
| 9,135 | 6,073 | - | 81,407 |
| 710 | 19,293 | - | 629,472 |
| 2,493 | 54,044 | - | 1,326,001 |
| 6,715 | 63,901 | - | 1,185,953 |
| - | - | - | 223,507 |
| - | - | - | 227,991 |
| 138,290 | 440,510 | - | 9,597,700 |
| - | - | (33,588) | - |
| 538 | 29,028 | (33,588) | 451,005 |
| - | - | 33,588 | 3,896,697 |
| $ 538 | $ 29,028 | $ 0 | $ 4,347,702 |

# Jefferson Comprehensive Care System, Inc.

## Schedule of Expenditures of Federal Awards

## Year Ended May 31, 2014

| Cluster/Program | Federal Agency/ Pass-Through Entity | CFDA Number | Amount Expended |
|---|---|---|---|
| AIDS Education and Training Centers | U.S. Department of Health and Human Services/ Louisiana State University Medical Center | 93.145 | $ 281,682 |
| Grants for Coordinated Services and Access to Research for Women, Infants, Children, and Youth | U.S. Department of Health and Human Services | 93.153 | 388,488 |
| Consolidated Health Centers | U.S. Department of Health and Human Services | 93.224 | 3,856,983 |
| Telemedicine Based Collaborative Care to Reduce Rural Health Disparities | U.S. Department of Health and Human Services/ University of Arkansas for Medical Sciences/ Community Health Centers of Arkansas | 93.242 | 6,921 |
| Affordable Care Act Maternal, Infant, and Early Childhood Home Visiting Program | U.S. Department of Health and Human Services/ Arkansas Department of Human Services/ Arkansas Children's Hospital | 93.505 | 138,828 |
| Prevention and Public Health Fund | U.S. Department of Health and Human Services/ Arkansas Department of Human Services/ Community Health Centers of Arkansas | 93.539 | 12,752 |
| Arkansas Better Chance Program – Child Care Resource and Referral Agency | U.S. Department of Health and Human Services/ Arkansas Department of Human Services | 93.575 | 232,796 |
| Medical Assistance Program | U.S. Department of Health and Human Services/ Arkansas Department of Human Services | 93.778 | 1,576 |
| HIV Care Formula Grants | U.S. Department of Health and Human Services/ Arkansas Department of Health | 93.917 | 128,376 |
| Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease | U.S. Department of Health and Human Services | 93.918 | 638,809 |
| HIV Prevention Services | U.S. Department of Health and Human Services | 93.991 | 46,811 |
| | | | $ 5,734,022 |

# Jefferson Comprehensive Care System, Inc.
## Schedule of Expenditures of Federal Awards (Continued)
## Year Ended May 31, 2014

### *Notes to Schedule*

1. This schedule includes the federal awards activity of Jefferson Comprehensive Care System, 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 the preparation of, the basic financial statements.

2. Of the federal expenditures presented in this schedule, Jefferson Comprehensive Care System, Inc. provided federal awards to subrecipients as follows:

| Program | CFDA Number | Subrecipient | Amount Provided |
|---|---|---|---|

No awards were provided to subrecipients.

# Jefferson Comprehensive Care System, Inc.

## Schedule of Expenditures of State Awards

## Year Ended May 31, 2014

| Grantor | | Program Revenues/ Expenditures |
|---|---|---|
| ***Arkansas Department of Human Services*** | | |
| Medical Assistance Program | $ | 1,576 |
| ***Arkansas Department of Health*** | | |
| Arkansas Better Chance Programs – Unwed Birth Grant | | 4,846 |
| Community Health Centers Grant | | 873,202 |
| ***Arkansas Department of Education*** | | |
| Arkansas Better Chance for School Success Program | | 191,197 |
| | $ | 1,070,821 |

| | | Program Revenue |
|---|---|---|
| ***Arkansas Department of Human Services*** | | |
| Medicaid [1] | $ | 343,536 |

[1] Revenue recognized from the various Medicaid programs is included in the total of other revenue in the accompanying statement of operations and changes in net assets. Medicaid revenue noted above represents 27 percent (the percentage the State of Arkansas contributed) of total Medicaid revenue recognized during 2014.

BKD LLP
CPAs & Advisors

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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 the Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Jefferson Comprehensive Care System, Inc.
Pine Bluff, Arkansas

We 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 Jefferson Comprehensive Care System, Inc. (the Organization), which comprise the balance sheet as of May 31, 2014, and the related statements of operations and 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 September 9, 2014.

## Internal Control over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Organization's 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization'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.

Our 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

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

We noted a certain matter that we reported to the Organization's management in a separate letter dated September 9, 2014.

## 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 entity's internal control or 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.

BKD, LLP

Little Rock, Arkansas
September 9, 2014

BKD LLP
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# Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

## Independent Auditor's Report

Board of Directors
Jefferson Comprehensive Care System, Inc.
Pine Bluff, Arkansas

### Report on Compliance for Major Federal Program

We have audited the compliance of Jefferson Comprehensive Care System, Inc. (the Organization) with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended May 31, 2014. The Organization's major federal program is 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 the Organization's major federal program 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 the Organization'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 the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

### *Opinion on Major Federal Program*

In our opinion, Jefferson Comprehensive Care System, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended May 31, 2014.

## Report on Internal Control over Compliance

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the 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 the Organization'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. 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.

BKD, LLP

Little Rock, Arkansas
September 9, 2014

# Jefferson Comprehensive Care System, Inc.

## Schedule of Findings and Questioned Costs

## Year Ended May 31, 2014

### *Summary of Auditor's Results*

1. The opinion expressed in the independent auditor's report was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

   Significant deficiency(ies)? ☐ Yes ☒ None reported

   Material weakness(es)? ☐ Yes ☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

4. The independent auditor's report on internal control over compliance with requirements that could have a direct and material effect on a major federal awards program disclosed:

   Significant deficiency(ies)? ☐ Yes ☒ None reported

   Material weakness(es)? ☐ Yes ☒ No

5. The opinion expressed in the independent auditor's report on compliance with requirements that could have a direct and material effect on a major federal awards program was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. The audit disclosed findings required to be reported by OMB Circular A-133? ☐ Yes ☒ No

# Jefferson Comprehensive Care System, Inc.
## Schedule of Findings and Questioned Costs (Continued)
## Year Ended May 31, 2014

7. The Organization's major program was:

| Program | CFDA Number |
|---|---|
| Consolidated Health Centers | 93.224 |

8. The threshold used to distinguish between Type A and Type B programs, as those terms are defined in OMB Circular A-133, was $300,000.

9. The Organization qualified as a low-risk auditee, as that term is defined in OMB Circular A-133? ☒ Yes ☐ No

### Findings Required to be Reported by *Government Auditing Standards*

| Reference Number | Finding |
|---|---|
| | No matters are reportable. |

### Findings Required to be Reported by OMB Circular A-133

| Reference Number | Finding | Questioned Costs |
|---|---|---|
| | No matters are reportable. | |

# Jefferson Comprehensive Care System, Inc.

## Summary Schedule of Prior Audit Findings

## Year Ended May 31, 2014

| Reference Number | Summary of Finding | Status |
|---|---|---|

No matters are reportable.