

OPTIMUS HEALTH CARE, INC.

**Financial Statements and Supplementary Information
with Independent Auditor's Report**

June 30, 2012

OPTIMUS HEALTH CARE, INC.

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INDEPENDENT AUDITOR'S REPORT



GUILMARTIN ▪ DIPIRO ▪ SOKOLOWSKI LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Optimus Health Care, Inc.:

We have audited the accompanying balance sheet of Optimus Health Care, Inc. (a nonprofit organization), as of June 30, 2012, and the related statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Optimus Health Care, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Optimus Health Care, Inc. as of June 30, 2011 were audited by other auditors whose report dated November 15, 2011 expressed an unqualified opinion on those statements. We also audited the adjustments described in Note 9 that were applied to restate the June 30, 2011 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Optimus Health Care, Inc., as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2012, on our consideration of Optimus Health Care, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management; Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Connecticut Office of Policy and Management and are 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 schedule of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the financial statements as a whole.

Guilmartin, DiPiro & Sokolowski, LLC

Middletown, Connecticut
November 30, 2012

FINANCIAL STATEMENTS

OPTIMUS HEALTH CARE, INC.

Balance Sheet

June 30, 2012

Assets

Current assets:	
Cash and cash equivalents	\$ 1,663,306
Investments	1,197,573
Patient accounts receivable, net	3,323,834
Contracts and grants accounts receivable	91,872
Other receivable	79,376
Prepaid expenses and other current assets	<u>197,337</u>
Total current assets	<u>6,553,298</u>
Non-current assets:	
Property and equipment, net	11,592,810
Other assets	<u>83,333</u>
Total non-current assets	<u>11,676,143</u>
Total assets	<u>\$ 18,229,441</u>

Liabilities and Net Assets

Current liabilities:	
Accounts payable	\$ 797,746
Accrued expenses	2,487,961
Deferred revenue	293,439
Current portion of long-term debt	<u>322,141</u>
Total current liabilities	<u>3,901,287</u>
Long-term liabilities:	
Mortgage note payable, less current portion	<u>3,054,414</u>
Total liabilities	<u>6,955,701</u>
Net assets:	
Unrestricted	<u>11,273,740</u>
Total net assets	<u>11,273,740</u>
Total liabilities and net assets	<u>\$ 18,229,441</u>

See accompanying notes and independent auditor's report.

OPTIMUS HEALTH CARE, INC.

Statement of Operations and Changes in Net Assets

For the year ended June 30, 2012

Operations:		
Revenues:		
Patient fees	\$	28,983,619
Grant income		9,030,151
Donated vaccines		4,655,282
Contracted services		2,577,929
Other income		1,869,301
Fundraising events		49,450
Insurance settlement		40,000
Investment income and realized gains		<u>10,612</u>
Total revenues		<u>47,216,344</u>
Expenses:		
Medical services		31,907,394
Dental services		3,138,033
Behavioral health services		1,705,571
Other general health services		2,052,348
Management and general		<u>8,156,464</u>
Total expenses		<u>46,959,810</u>
Change in unrestricted net assets		256,534
Unrestricted net assets, beginning of year, as restated		<u>11,017,206</u>
Unrestricted net assets, end of year	\$	<u>11,273,740</u>

See accompanying notes and independent auditor's report.

OPTIMUS HEALTH CARE, INC.

Statement of Cash Flows

For the year ended June 30, 2012

Cash flows from operating activities:	
Change in net assets	<u>\$ 256,534</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	1,063,367
Unrealized loss on investments	68,510
(Increase) in patient accounts receivable, net	(1,290,404)
Decrease in contracts and grants accounts receivable	36,071
Decrease in other receivable	129,094
(Increase) in prepaid expenses and other current assets	(51,267)
Increase in accounts payable	41,375
Increase in accrued expenses	429,148
(Decrease) in deferred revenue	<u>(261,952)</u>
Total adjustments	<u>163,942</u>
Net cash provided by operating activities	<u>420,476</u>
Cash flows from investing activities:	
Purchase of property and equipment	(177,816)
Purchase of investments	(732,807)
Proceeds on sale of investments	<u>1,090,056</u>
Net cash provided by investing activities	<u>179,433</u>
Cash flows from financing activities:	
Payments on line of credit	(450,000)
Payments on long-term debt	<u>(331,230)</u>
Net cash (used) in financing activities	<u>(781,230)</u>
Net (decrease) in cash and cash equivalents	(181,321)
Cash and cash equivalents, beginning of year	<u>1,844,627</u>
Cash and cash equivalents, end of year	<u>\$ 1,663,306</u>

See accompanying notes and independent auditor's report.

OPTIMUS HEALTH CARE, INC.

Notes to Financial Statements

June 30, 2012

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

Optimus Health Care, Inc.'s (Optimus) mission is to improve the overall health of our communities in Bridgeport, Stamford and Stratford, particularly the medically underserved, by providing preventive, primary care and supplemental health care services along with health education in a culturally sensitive manner regardless of one's ability to pay.

Optimus Health Care, Inc. is a mature Federally Qualified Health Care Center primarily funded by Health and Human Services. It is the largest provider of primary health care services in Southwestern Connecticut. With more than a dozen JCAHO accredited, comprehensive community health centers located in Bridgeport, Stratford and Stamford, Optimus provides complete health care services, regardless of race, income and insurance status.

Founded in 1976, Optimus Health Care, Inc. formally known as "Bridgeport Community Health Center" was founded by a group of civic-minded individuals committed to the development of a health care facility dedicated to the health of their neighborhood and has been accredited by the Joint Commission on Accreditation of Health Care Organizations since 1998. Optimus Health Care, Inc. provides a comprehensive model of primary health care services using a "multi-site model."

Optimus operates over 16 service facilities in Bridgeport, Stratford and Stamford including Homeless Program Soup Kitchen and Homeless Shelter, several Bridgeport Based Health Centers and WIC Program.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting policies as accepted in the United States (referred to as GAAP) and follow the format required by the *Audits of Providers of Health Care Services* issued by the American Institute of Certified Public Accountants.

Change in presentation

Management reviews the format of the financial statements annually and may consolidate or show separately certain items they feel make presentation complete.

Income tax status

Optimus has received exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Optimus has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Management has reviewed Optimus' reporting and believe they have not taken tax positions that are more likely than not to be determined to be incorrect by the Internal Revenue Service and therefore no adjustments or disclosures are required.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the certain reported amounts. Accordingly actual results could differ from those estimates.

Cash and cash equivalents

For the purpose of the statement of cash flows, Optimus considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments in marketable equity securities and all debt securities are carried at fair value in the statement of financial position. Realized and unrealized gains and losses on these investments are reported in the statement of activities and changes in net assets as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulation or by law.

Allowance for bad debts

Patient accounts receivable are stated net of an allowance for doubtful accounts. Prior to 2012, Optimus estimated the allowance based on its historical experience of cash collections. As a result of significant changes in historical cash collections, the Organization changed to estimating the allowance based on the number of days outstanding. This change resulted in a \$925,009 decrease in the change in net assets for the year ended June 30, 2012. The allowance for doubtful accounts for patient accounts receivable was \$2,648,085 at June 30, 2012.

OPTIMUS HEALTH CARE, INC.

Notes to Financial Statements

June 30, 2012

Property and equipment

Optimus follows the practice of capitalizing all property and equipment with a cost exceeding \$2,500. Depreciation is computed using the straight-line method over the estimated useful lives of the assets with a range in lives from 3 to 35 years. There are no planned major maintenance activities.

If a grant is completed or terminated, assets purchased with grant funds must be returned to the funding agency if requested.

Charitable services

Optimus provides care to all patients, regardless of their ability to pay or the availability of third-party reimbursement. Charges for services are computed using a sliding-scale fee schedule based on patient income and family size. Only the amount charged per the sliding-scale fee is recognized as patient services revenue.

Net assets - unrestricted

All of Optimus' unrestricted net assets are for general use by the corporation.

NOTE 2

CONCENTRATIONS

The Organization maintains their cash balances with various financial institutions. Such deposits at times have exceeded federal depository limits; however, the Organization believes its cash deposits are not subject to significant credit risk.

A substantial portion of the Organization's revenue is derived from grant contracts. Because the grants are evidenced by signed contracts with government and other agencies, management believes there is nominal credit risk associated with any outstanding grants receivable.

NOTE 3

REVENUES

Net patient service revenue

Optimus has agreements with third-party payers that provide for payments to Optimus at amounts different from its established rates. Payment arrangements under these agreements include prospectively determined rates per reimbursement costs, discounted charges and per diem payments.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payers and others for services rendered.

Optimus has agreements that provide payments as described below.

Revenue from contracting agencies

Optimus participates as a provider of health care services to several Managed Care Organizations (MCO's). Reimbursement for covered services is based on tentative payment rates. Provisions for estimated reimbursement adjustments are reported in the financial statements in the period that the services are rendered.

Revenue from the Medicare and Medicaid programs accounted for approximately 53% of the Organization's revenue for the fiscal year ended June 30, 2012. Laws and regulations governing these programs are extremely complex and subject to interpretation. The Medicaid rates are based upon a retrospective cost analysis submitted to the State of Connecticut Department of Social Services. Medicare rates are set based upon cost reports and adjusted for various factors as defined in the contracts. Proposed adjustment to the rates is subject to negotiations.

Grants and contracts

Grants and contracts are agreements in which the grantor or contractor requires expenditures for the performance of specified activities. Optimus records its grant or contract revenue equal to the expenditure of funds in accordance with grant specification. Grant and contract receipts in excess of allowable expenditures are recorded as deferred revenue if the grant extends beyond Optimus' fiscal year and as due to grantor if the grant was completed within the fiscal year.

Contracted services

Optimus and Stamford Hospital have an agreement in which Optimus' employees staff the Subspecialty Clinics. In consideration of the services provided by the Subspecialty Clinics staff, Stamford Hospital agrees to compensate Optimus at the rate of \$214,827 per month. The parties may adjust the monthly fee on a semiannual basis, as necessary to account for any changes. The agreement can be terminated upon occurrence of certain events, including excessive losses on the clinic's operations, as defined in the agreement with Stamford Hospital.

OPTIMUS HEALTH CARE, INC.

Notes to Financial Statements

June 30, 2012

Contracted services, continued

Stamford Hospital is leasing the site from an unrelated third party. Optimus is subleasing the space under the same terms and conditions, except that the lease would be terminated in the event the operating agreement is terminated. The lease commitments in Note 8 include the commitments under this sublease.

Other income

The other income relates to the meaningful use grant and the recovery of revenues. The meaningful use grant is an incentive plan for which health care centers receive incentive dollars for achieving certain phases in implementing electronic medical records. The recovery of revenues relates to changes from previous years that were entered through the system during 2012, a portion of which were written off through contractual allowances and bad debts (see Note 9).

Donated vaccines and WIC

During the year, Optimus received \$4,655,281 in donated vaccines and food to be distributed during the year.

NOTE 4
INVESTMENTS

All investments are available for sale and transfer to support Organization requirements and presented on the financial statements at fair market value.

Generally accepted accounting principles have determined that short-term and long-term investments traded on the open market (individual stocks, ETF's and mutual funds) are determined by reference to quoted prices of identical instruments generated by active market transactions and are considered to be level 1 transactions.

	Quoted Prices on Active Markets
Common stock	\$ 403,085
Equity funds - domestic	246,735
Corporate bonds	243,710
Close end bond funds ETF	151,426
Equity funds - international	121,813
ADRS	<u>30,804</u>
	<u>\$1,197,573</u>

Investment expenses, reported net of investment income were \$6,957 for the year ending June 30, 2012.

NOTE 5
PROPERTY AND EQUIPMENT

Components of property and equipment are as follows:

Land	\$ 959,019
Buildings and improvements	13,605,077
Furniture, fixtures and equipment	923,735
Computer equipment	1,337,747
Construction in progress	<u>70,402</u>
Less: accumulated depreciation and amortization	<u>(5,303,170)</u>
Total	<u>\$11,592,810</u>

The financial statements reflect depreciation expense at June 30, 2012 of \$1,063,367.

NOTE 6
DEBT OBLIGATIONS

Debt obligations at June 30, 2012 consist of the following:

First mortgage payable with an interest rate of 4.75% maturing in June 2018, secured by the property located on East Main Street, Bridgeport, Connecticut.	\$ 1,399,750
Second mortgage payable with an interest rate of 4.00% maturing in June 2013, secured by the property located on East Main Street, Bridgeport, Connecticut.	192,090
Mortgage payable with an interest rate of 4.75% maturing in May 2019, secured by the property located on Atlantic Street, Stamford, Connecticut.	1,784,715
Less: current portion	<u>(322,141)</u>
	<u>\$ 3,054,414</u>

OPTIMUS HEALTH CARE, INC.

Notes to Financial Statements

June 30, 2012

Debt obligations, continued

Aggregate maturities of long-term borrowings over the next five years are as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2013	\$322,141
2014	136,363
2015	142,983
2016	149,925
2017	157,204

The terms of certain financing agreements contain, among other provisions, requirements for maintaining defined levels of working capital, net worth, capital expenditures and various financial ratios, including debt to equity.

Interest expense on debt obligations for the year ending June 30, 2012 was \$176,835.

Line of credit

Optimus maintains an unused line of credit for \$500,000 and an unused letter of credit for \$36,000.

NOTE 7

DEFINED CONTRIBUTION PLAN

Optimus maintains a 403(b) Defined Contribution Plan. The amount contributed to the plan is a fixed percentage of eligible participants' compensation. Pension expense for this plan was \$623,580 for the year ended June 30, 2012.

NOTE 8

LEASE OBLIGATIONS

Leased facilities

Optimus conducts some of its operations from leased facilities. Lease commitments include leases which expire at various dates through March 2022 as well as certain leases which are on a month-to-month basis. In this and all other leases, management expects that in the normal course of business leases will be renewed or replaced by other leases. In most of the leases, Optimus is required to pay certain annual operating costs such as maintenance and insurance expenses. Various leases contain restrictions as to the use of the properties and subletting arrangements.

At June 30, 2012 minimum rental payments due under operating leases for facilities consist of the following:

<u>Year ended June 30:</u>	<u>Amount</u>
2013	\$ 1,628,676
2014	1,526,032
2015	1,489,205
2016	1,292,614
2017	1,340,149
Thereafter	<u>6,714,236</u>
Total	<u>\$13,990,912</u>

Rent expense for the year ended June 30, 2012 was \$1,505,868.

Optimus maintains several leases for medical equipment, telephone systems, copiers and fax machines. The copier and fax machine leases require minimum monthly base payments with adjustments for excess usage.

NOTE 9

RESTATEMENT

The unrestricted operating net assets at June 30, 2011, excluded a significant amount of billings related to prior years that did not flow through the ledger:

Operating net assets, beginning balance	
as previously reported	\$10,622,442
Increase in billings	<u>394,764</u>
Operating net assets, as restated	<u>\$11,017,206</u>

NOTE 10

MALPRACTICE INSURANCE

As a federally qualified health center, Optimus maintains malpractice insurance under the Federal Tort Claims Act (FTCA). This coverage is applicable to Optimus and their officers, board members, employees and contractors who are physicians, other licensees or certified health care practitioners. The FTCA coverage is on a claims-made basis policy without a monetary cap. As of June 30, 2012, one known malpractice claim has been asserted against the Organization.

OPTIMUS HEALTH CARE, INC.

Notes to Financial Statements

June 30, 2012

NOTE 11

SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 30, 2012, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

OPTIMUS HEALTH CARE, INC.

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2012

Federal Grantor Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
<u>U.S. Department of Health & Human Services</u>			
Community Health Center	93.224	N/A	\$ 2,169,185
Community Health Center	93.527	N/A	1,446,123
Ryan White, Title III: Outpatient Early Intervention Services	93.918	N/A	552,696
Passed-through State of Connecticut Department of Public Health:			
Vaccines (non-cash assistance)	93.268	non-contract	1,728,481
AIDS - Prevention Education Services	93.940	2009-0150	64,036
AIDS - Health Care and Support Services	93.917	2011-0267	58,978
Passed-through the Greater Bridgeport Adolescent Pregnancy Program:			
Ryan White, Title I	93.914	unknown	271,652
Passed-through the Community Health Center Association of Connecticut:			
Ryan White, Title IV	93.153	unknown	113,129
Children's Health Insurance Program	93.767	unknown	12,123
Comprehensive Cancer Control	93.283	unknown	3,497
<u>U.S. Department of Agriculture</u>			
Passed-through State of Connecticut Department of Public Health:			
WIC	10.557	2011-0146	1,169,816
WIC food (non-cash assistance)	10.557	non-contract	<u>2,926,800</u>
Total Expenditures of Federal Awards			<u>\$ 10,516,516</u>

See notes to schedule.

OPTIMUS HEALTH CARE, INC.

Notes to the Schedule of Expenditures of Federal Awards

For the year ended June 30, 2012

NOTE 1

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Optimus Health Care, Inc. under programs of the Federal Government for the year ended June 30, 2012. 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*. Because the schedule presents only a selected portion of the operations of the Organization it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

NOTE 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

NOTE 3

INSURANCE

The expenditures reported in the attached schedule of expenditures of federal awards includes expenses incurred for general liability, property and crime insurance costs which are allocable as direct expenditures. At June 30, 2012, Optimus Health Care, Inc. had up to \$2,000,000 in general liability coverage. The schedule also indirectly includes bond or officers' and directors' insurance costs through the administrative allocation for each grant.

OPTIMUS HEALTH CARE, INC.

Schedule of Expenditures of State Financial Assistance

For the year ended June 30, 2012

<u>Grantor; Pass-Through Grantor; Program</u>	<u>State CORE - CT Number</u>	<u>Expenditures</u>
<u>Department of Public Health:</u>		
School Based Health Services	11000-DPH48500-17019	\$ 1,185,356
Community Health and Immigrant Services Program	11000-DPH48500-12236	635,364
AIDS - Prevention Education Services, Ryan White Part II	11000-DPH48852-12236	48,788
AIDS - Healthcare and Support HCCS, Ryan White Part I	11000-DPH48500-12236	6,788
<u>Department of Mental Health and Addiction Services:</u>		
Project Neuva Vida	11000-MHA53000-12157	38,317
Intensive Outpatient Program	11000-MHA53000-12157	219,307
Outpatient Clinic Program	11000-MHA53000-16053	250,035
Case Management	11000-MHA53000-16053	130,000
<u>Department of Children & Families:</u>		
Foster Care Clinic	11000-DCF91110-16008	136,578
<u>Department of Social Services:</u>		
Passed-through Community Health Center Association of Connecticut:		
Medicaid Outreach Program	11000-DSS60000-16020	34,356
Passed-through the City of Bridgeport:		
Healthy Start	11000-DSS60521-41002	<u>63,750</u>
Total State Financial Assistance		<u>\$ 2,748,639</u>

See notes to schedule.

OPTIMUS HEALTH CARE, INC.

Notes to the Schedule of Expenditures of State Financial Assistance

For the year ended June 30, 2012

The accompanying schedule of expenditures of state financial assistance includes state grant activity of Optimus Health Care, Inc. under programs of the State of Connecticut for the fiscal year ended June 30, 2012. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including medical, dental, behavioral health and wellness programs.

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Optimus Health Care, Inc. conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit agencies.

The information in the schedule of expenditures of state financial assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Basis of accounting

The expenditures reported on the schedule of expenditures of state financial assistance are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

FEDERAL SUPPLEMENTARY REPORTS



GUILMARTIN ▫ DIPIRO ▫ SOKOLOWSKI LLC

CERTIFIED PUBLIC ACCOUNTANTS

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*

The Board of Directors
Optimus Health Care, Inc.:

We have audited the financial statements of Optimus Health Care, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Optimus Health Care, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Optimus Health Care, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Optimus Health Care, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting, Finding No. 2012-1. 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.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Optimus Health Care, Inc. in a separate letter dated November 30, 2012.

This report is intended solely for the information and use of management, the audit committee, others within the entity, the Board of Directors, the Office of Policy and Management, federal awarding agencies, state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gulmartin, Piro & Sokolowski, LLC

Middletown, Connecticut
November 30, 2012



GUILMARTIN ◻ DIPIRO ◻ SOKOLOWSKI LLC

CERTIFIED PUBLIC ACCOUNTANTS

**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**

The Board of Directors
Optimus Health Care, Inc.:

Compliance

We have audited Optimus Health 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 Optimus Health Care, Inc.'s major federal programs for the year ended June 30, 2012. Optimus Health 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Optimus Health Care, Inc.'s management. Our responsibility is to express an opinion on Optimus Health Care, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Optimus Health Care, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Optimus Health Care, Inc.'s compliance with those requirements.

In our opinion, Optimus Health Care, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Optimus Health Care, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Optimus Health Care, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Optimus Health Care, Inc.'s internal control over compliance.

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

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

Optimus Health Care, Inc.'s responses to the findings identified in the prior year's audit are described in the accompanying schedule of findings and questioned costs. We did not audit Optimus Health Care, Inc.'s responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the audit committee, others within the entity, the Board of Trustees, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Shuchman, D. Piro + Sokolowski, LLC

Middletown, Connecticut
November 30, 2012

OPTIMUS HEALTH CARE, INC.

Schedule of Findings and Questioned Costs

For the year ended June 30, 2012

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	<u>U.S. Department of Health & Human Services:</u>
93.527	Community Health Center
93.224	Community Health Center
	<u>Passed-through State of Connecticut Department of Public Health:</u>
93.268	Vaccines (non-cash assistance)

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding No. 2012-1:

Criteria:
Completeness and accuracy of revenue processing over patient billing and related receivable.

Condition:
There were adjustments to the prior year to reconcile the detail receivable records.

Additionally, there were instances within the internal controls where the billing procedures were not appropriately followed and thus adjustments were required.

OPTIMUS HEALTH CARE, INC.

Schedule of Findings and Questioned Costs, Continued

Context:

The correction to the financial statements represents an adjustment of \$394,765 to the prior year and an adjustment to billings in the current year.

We selected 62 patient files for testing of 13 specific criteria. We noted exceptions during the testing.

Effect:

Adjustments were required to the financial and billing records.

Cause:

Breakdown in the application of billing and receivable reconciliation procedures.

Recommendation:

Continued review of the policies and procedures working with the third party billing firm.

Views of Responsible Officials and Planned Corrective Actions:

We are continuing to evaluate our billing procedures.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Yes - see above.

OPTIMUS HEALTH CARE, INC.

Summary Schedule of Prior Audit Findings

For the year ended June 30, 2012

Finding No. 2011-1

Condition:

Front desk staff is not following proper procedures when entering patient billing information upon registration of a patient. This results in the incorrect guarantor being billed for the services. Also noted was the collection of co-pays/deductibles according to contract is not being done consistently.

The billing department is not following proper procedures to ensure patient balances billed are correct. Thus, patient balances remain uncollected resulting in bad debt write offs.

Procedures for evaluating what should occur between the Organization and the Organization's collection agency should be reviewed more often.

Current Status:

Corrective action is in process. See also Finding No. 2012-1.

Planned Corrective Actions:

The Organization has hired a third party billing firm to manage its billing process and determined the appropriate flow of data. This is scheduled for completion by the end of the year.

STATE SUPPLEMENTARY REPORTS



GUILMARTIN ▪ DIPIRO ▪ SOKOLOWSKI LLC

CERTIFIED PUBLIC ACCOUNTANTS

**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 THE STATE SINGLE AUDIT ACT**

The Board of Directors
Optimus Health Care, Inc.:

Compliance

We have audited Optimus Health Care, Inc.'s compliance with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that could have a direct and material effect on each of Optimus Health Care, Inc.'s major state programs for the year ended June 30, 2012. The major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of Optimus Health Care, Inc.'s management. Our responsibility is to express an opinion on Optimus Health Care, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act 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 state program occurred. An audit includes examining, on a test basis, evidence about Optimus Health Care, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Optimus Health Care, Inc.'s compliance with those requirements.

In our opinion, Optimus Health Care, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Optimus Health Care, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered Optimus Health Care, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the State Single Audit Act, 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 Optimus Health Care, 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 state 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 state program will not be prevented, or detected and corrected, on a timely basis.

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

Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of Optimus Health Care, Inc. as of and for the year ended June 30, 2012, and have issued our report thereon dated November 30, 2012, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act 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 statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, the Office of Policy and Management, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Guelman, D. Piro & Sokolowski, LLC

Middletown, Connecticut
November 30, 2012

OPTIMUS HEALTH CARE, INC.

Schedule of Findings and Questioned Costs

For the year ended June 30, 2012

1. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes _____ x No
- Significant deficiency(ies) identified? _____ x Yes _____ None reported
- Noncompliance material to financial statements noted? _____ Yes _____ x No

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? _____ Yes _____ x No
- Significant deficiency(ies) identified? _____ x Yes _____ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? _____ Yes _____ x No

The following schedule reflects the major programs included in the audit:

<u>State Grantor and Program</u>	<u>State CORE - CT Number</u>	<u>Expenditures</u>
Department of Public Health:		
School Based Health Services	11000-DPH48500-17019	\$1,185,356
AIDS - Prevention Education Services, Ryan White Part II	11000-DPH48852-12236	48,788
AIDS - Healthcare and Support HCCS, Ryan White Part 1	11000-DPH48500-12236	6,788
Department of Children & Families:		
Foster Care Clinic	11000-DCF91110-16008	136,578
Department of Social Services:		
Passed-through the City of Bridgeport:		
Healthy Start	11000-DSS60521-41002	63,750
Dollar threshold used to distinguish between type A and type B programs:	\$200,000	

2. FINANCIAL STATEMENT FINDINGS

Finding No. 2012-1:

Criteria:

Completeness and accuracy of revenue processing over patient billing and related receivable.

Condition:

There were adjustments to the prior year to reconcile the detail receivable records.

Additionally, there were instances within the internal controls where the billing procedures were not appropriately followed and thus adjustments were required.

OPTIMUS HEALTH CARE, INC.

Schedule of Findings and Questioned Costs, Continued

Context:

The correction to the financial statements represents an adjustment of \$394,765 to the prior year and an adjustment to billings in the current year.

We selected 62 patient files for testing of 13 specific criteria. We noted exceptions during the testing.

Effect:

Adjustments were required to the financial and billing records.

Cause:

Breakdown in the application of billing and receivable reconciliation procedures.

Recommendation:

Continued review of the policies and procedures working with the third party billing firm.

Views of Responsible Officials and Planned Corrective Actions:

We are continuing to evaluate our billing procedures.

3. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported relating to State Financial Assistance Programs.

OPTIMUS HEALTH CARE, INC.

Summary Schedule of Prior Audit Findings

For the year ended June 30, 2012

Finding No. 2011-1

Condition:

Front desk staff is not following proper procedures when entering patient billing information upon registration of a patient. This results in the incorrect guarantor being billed for the services. Also noted was the collection of co-pays/deductibles according to contract is not being done consistently.

The billing department is not following proper procedures to ensure patient balances billed are correct. Thus, patient balances remain uncollected resulting in bad debt write offs.

Procedures for evaluating what should occur between the Organization and the Organization's collection agency should be reviewed more often.

Current Status:

Corrective action is in process. See also Finding No. 2012-1.

Planned Corrective Actions:

The Organization has hired a third party billing firm to manage its billing process and determined the appropriate flow of data. This is scheduled for completion by the end of the year.