

Robeson Health Care Corporation
Financial Statements
For the Fiscal Year Ended June 30, 2012

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Financial Statements
For the Fiscal Year Ended June 30, 2012

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President and Chief Executive Officer

Robeson Health Care Corporation
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June 30, 2012

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S. Preston Douglas & Associates, LLP
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
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Independent Auditor's Report

Board of Directors
Robeson Health Care Corporation
Pembroke, North Carolina

We have audited the accompanying statement of financial position of Robeson Health Care Corporation (a non-profit organization) as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the fiscal year then ended. These financial statements are the responsibility of the Corporation's management. 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 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 Robeson Health Care Corporation at June 30, 2012, and the results of its activities 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 a report dated August 7, 2012, on our consideration of Robeson Health Care Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing. 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* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Robeson Health Care Corporation taken as a whole. The accompanying detailed schedules of functional expenses, as well as the accompanying Schedule of Expenditures of Federal Awards as required by the U.S. Office of Management and Budget Circular A-133, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lumberton, North Carolina
August 7, 2012

S. Preston Douglas & Associates, LLP

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Robeson Health Care Corporation
Statement of Financial Position
June 30, 2012

Assets

Current assets

Cash and cash equivalents		\$ 1,067,738
Accounts receivable		
Medicaid/Medicare	\$ 412,467	
Private patients	229,574	
	642,041	
Less - Allowance for uncollectible accounts	210,000	
		432,041
Other receivables		626,612
Inventory		76,641
Prepaid expenses		41,747
		2,244,779

Property and equipment

Land		496,400
Buildings		4,784,497
Furniture and equipment		243,172
Leasehold improvements		423,888
Capital improvements		1,274,991
Vehicles		565,906
		7,788,853
Less - Accumulated depreciation		1,912,596
		5,876,257

Property and equipment - Net

Total assets

\$ 8,121,037

Liabilities and Net Assets

Current liabilities

Accounts payable		\$ 139,431
Accrued expenses		35,740
Current installments of long-term debt		168,788
Current portion of capital lease obligations		37,241
Deferred revenue		338,915
Accrued vacation		217,372
		937,488

Total current liabilities

Long-term debt, including long-term capital leases

3,310,835

Total liabilities

4,248,323

Net assets - Unrestricted

3,872,714

Total liabilities and net assets

\$ 8,121,037

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

Robeson Health Care Corporation
Statement of Activities
For the Fiscal Year Ended June 30, 2012

Unrestricted Net Assets

Support and revenue

Grant support

Federal awards \$ 2,341,559

Contracted services 5,787,176

Net patient service revenue

Private \$ 3,748,839

Medicaid 3,559,698

Medicare 1,421,294

Other 757,515

Interest 1,559

9,488,905

Less - Disallowances and reductions 3,387,872

6,101,033

Total support and revenue

14,229,768

Expenses

Salaries and wages 7,861,091

Fringe benefits 1,930,397

Supplies 679,621

Equipment rental 557

Depreciation 332,426

Contracted services 62,471

Rent, Utilities 841,327

Insurance 229,241

Interest 201,901

Telephone, Postage, and freight 164,769

Repairs and maintenance 1,045,295

Registration and fees 99,482

Training and continuing education 80,808

Travel 58,462

Recruiting 59,736

Publications and miscellaneous supplies 64,065

Total expenses

13,711,647

Increase (decrease) in unrestricted net assets

518,121

Net assets - Beginning of year, as previously reported

3,758,317

Prior period adjustment

(403,724)

Net assets - Beginning of year, as restated

3,354,593

Net assets - End of year

\$ 3,872,714

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

Robeson Health Care Corporation
Statement of Functional Expenses
For the Fiscal Year Ended June 30, 2012

	<u>Program Services</u>	<u>Management and General</u>	<u>Totals</u>
Salaries and wages	\$ 6,416,092	\$ 1,444,999	\$ 7,861,091
Fringe benefits	1,625,696	304,700	1,930,397
Supplies	651,926	27,695	679,621
Rent and equipment rental	597,230	787	598,017
Depreciation	332,426	-	332,426
Contracted services	24,110	38,361	62,471
Utilities	228,539	15,328	243,867
Insurance	183,889	45,352	229,241
Interest	62,901	139,000	201,901
Telephone, postage, and freight	123,881	40,888	164,769
Repairs and maintenance	967,536	77,759	1,045,295
Registration and fees	53,570	45,912	99,482
Training and continuing education	61,590	19,219	80,808
Travel	45,228	13,234	58,462
Recruiting	49,446	10,290	59,736
Publications and miscellaneous supplies	61,820	2,245	64,065
Total functional expenses	<u>\$ 11,485,879</u>	<u>\$ 2,225,768</u>	<u>\$ 13,711,647</u>

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

Robeson Health Care Corporation
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

Cash flows from operating activities	
Cash received from patients and third-party payors	\$ 5,081,724
Cash received in the form of government financial assistance	2,341,559
Cash received in the form of contracted services	5,787,176
Cash paid to employees for services	(7,845,484)
Cash paid for goods and services	(5,256,941)
Other revenue	<u>757,515</u>
Net cash provided (used) by operating activities	<u>865,549</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(206,158)
Proceeds from notes payable	448,286
Debt principal and capital lease repayments	<u>(395,241)</u>
Net cash provided (used) by capital and related financing activities	<u>(153,113)</u>
Net increase (decrease) in cash and cash equivalents	712,436
Cash and cash equivalents - Beginning of year	<u>355,302</u>
Cash and cash equivalents - End of year	<u><u>\$ 1,067,738</u></u>
Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities:	
Increase (decrease) in unrestricted net assets	<u>\$ 518,121</u>
Adjustments to reconcile excess change in net assets to cash provided (used) by operating activities -	
Depreciation	332,426
Changes in assets and liabilities -	
Net (increase) decrease in receivables, inventory, and prepaids	(288,400)
Net increase (decrease) in payables and accrued expenses	26,987
Increase (decrease) in deferred revenue	<u>276,415</u>
Total adjustments	<u>347,428</u>
Net cash provided (used) by operating activities	<u><u>\$ 865,549</u></u>

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

Robeson Health Care Corporation
Notes to Financial Statements
June 30, 2012

Note A - Summary of Significant Accounting Policies

Basis of Accounting

Robeson Health Care Corporation (the "Corporation") recognizes revenue and expenses according to the accrual basis of accounting, thereby recognizing revenue when earned and expenses when incurred and accordingly reflect all significant receivables, payables, and other liabilities.

Property and Equipment

The cost of property and equipment is depreciated by the straight-line method for financial reporting purposes. The estimated useful lives used in the depreciation calculation are as follows:

Buildings	40 years
Furniture and equipment	5 - 20 years
Leasehold improvements	8 - 25 years

Expenditures for maintenance, repairs, renewals, and improvements, which do not materially extend the useful lives of the assets, are treated as charges to revenue in the period in which they are incurred. Depreciation expense for the eleven month period ended June 30, 2012 was \$332,426.

Income Taxes

The Corporation is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose could be subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(3) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Net Patient Service Revenue/Accounts Receivable

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Accounts receivable are stated at unpaid balances, less an allowance for uncollectible accounts using the allowance method.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Inventory

Inventory is stated at lower of cost or market. Cost is determined by specific identification.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at June 30, 2012, and revenue and expenses during the fiscal year then ended. Actual results could differ from those estimates.

See independent auditor's report.

Robeson Health Care Corporation
Notes to Financial Statements (continued)
June 30, 2012

Note A - Summary of Significant Accounting Policies (continued)

Concentrations of Credit Risk

Financial instruments that potentially subject Robeson Health Care Corporation to concentrations of credit risk consist principally of cash deposits. Robeson Health Care Corporation generally limits its exposure to credit risk from balances on deposit in financial institutions in excess of the FDIC-insured limit. The FDIC insurance coverage is limited to \$250,000 per financial institutions. The Corporation exceeded the aforementioned limit by \$616,290 at June 30, 2012.

Note B - Organization and Revenue Sources

Robeson Health Care Corporation is a non-profit family health care organization located in Robeson County, North Carolina. It is governed by a nine-member Board of Directors consisting of citizens that reside in the service area. The Corporation was formed in response to the overwhelming need for primary health services (including dentistry) in southern Robeson County. Robeson Health Care Corporation operates a medical care facility in each of the following North Carolina towns: Pembroke, Maxton, Fairmont, and Lumberton. Robeson Health Care Corporation offers medical-related services to all citizens located in the middle and southern portions of Robeson County, particularly to individuals who rely on government assistance. Robeson Health Care Corporation also manages five supervised living facilities for needy families in the following counties: Moore, Robeson (2), Pitt, and Johnston.

Note C - Operating Leases

Robeson Health Care Corporation leases several facilities with unrelated third parties. Details of each operating lease, active at June 30, 2012, are described immediately below:

Lumberton clinic is leased for \$8,300 per month and expires January 31, 2014.

The Lumberton program facility is leased for \$2,975 a month and expires May 31, 2013.

Johnston County facility (apartments) is leased for \$11,900 per month thru April 1, 2019.

Moore County facility is leased for \$10,367 per month through June 30, 2018.

Recovery Home facility (via Family Alternatives) is leased for \$2,200 per month and expires May 15, 2013.

Columbus County Regional Healthcare is leased for \$2,000 per month and expires December 20, 2025.

First Health Hospitals is leased for \$2,708 per month and expires April 1, 2014.

Robeson County Church and Community is leased for \$450 per month and expires December 31, 2012.

Building rent expense was \$598,017 for FYE 2011-12.

All other facilities are leased on a month-to-month basis.

Robeson Health Care Corporation
Notes to Financial Statements (continued)
June 30, 2012

Note C - Operating Leases (continued)

Minimum lease payments by year for the next five years and in aggregate are as follows:

2013	455,954
2014	373,679
2015	291,204
2016	291,204
2017	291,204
2018-2025	554,304

Note D - Long Term Debt

Long-term debt consisted of the following as of June 30, 2012:

Note payable collateralized by a deed of trust on certain real estate. A short-term loan at year end was converted to an executed long-term debt instrument on December 21, 2010, which was refinanced at 5.50%, amortized over 25 years, payable in 59 monthly installments with a balloon payment of remaining balance due the 60 th month.	\$ 2,639,947
Note payable collateralized by deed of trust on certain real estate; payable in monthly installments of \$5,036, including interest at banks prime rate plus .25%, with balance due April, 2014.	99,460
Note payable collateralized by a deed of trust on certain real estate; payable in monthly installments of \$1,011, including interest at 5.00% with balance due September, 2016.	81,588
Note payable collateralized by a deed of trust on certain real estate, payable in installments of \$4,265, including interest at 6.00%, with balance due March, 2018.	250,265
Note payable collateralized by a deed of trust on certain real estate, loan shall be repaid in monthly installments of accrued interest only, interest at banks prime rate plus .75%, with balance due September 30, 2013.	285,527
Total long-term debt	3,356,787
Less - Current portion	168,788
Long-term debt, net	\$ 3,187,999

Robeson Health Care Corporation
Notes to Financial Statements (continued)
June 30, 2012

Note D – Long Term Debt (continued)

Principal payments are scheduled to be repaid in the following manner for the years ended June 30:

2013	\$	168,788
2014		444,455
2015		2,556,206
2016		54,019
2017		57,275
2018-2021.		76,044
		\$ 3,356,787

Note E - Capital Leases

The Corporation leases several pieces of equipment. Certain leases are accounted for as capital leases and are included in equipment at June 30, 2012:

Capital lease obligations at varying rates of imputed interest from 24% - 26.0% collateralized by leased equipment with an amortized cost of \$0 at June 30, 2012.	\$	160,077
Less - Current portion		37,241
Capital lease obligations, excluding current portion	\$	122,836

Principal payments are scheduled to be repaid on capital lease obligations for the years outlined below are as follows:

2013	\$	37,241
2014		37,256
2015		38,728
2016		40,257
2017		6,595
		\$ 160,077

Note F - Pension Plan

The Corporation has a tax-deferred custodial plan for employees. Employees become eligible to participate under the Plan immediately, but must work twenty hours or more per week. Participating employees may enter into a salary reduction agreement with the Corporation whereby the Employee agrees to reduce his future salary payment by a specified amount not less than 1% nor more than the lesser amount of either 25% of compensation or \$15,500. The Corporation will match each Employee's contribution at a rate to be determined by the Corporation each month, not to exceed 3% of compensation. The Corporation's required contribution to this plan was approximately \$80,814 for the fiscal year ended June 30, 2012.

Robeson Health Care Corporation
Notes to Financial Statements (continued)
June 30, 2012

Note G - Vacation Pay

Robeson Health Care Corporation is obligated to pay, within certain limits, earned and accumulated employee vacation pay. Management has implemented certain limitations with regards to accumulated vacation pay. Therefore, under guidelines established under SFAS No. 43, one hundred percent of accumulated vacation was accrued at June 30, 2012, and is reflected on the balance sheet in the amount of \$217,372.

Note H - Functional Allocation of Expenses

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

Note I – Deferred Revenue

Deferred revenue is associated with certain pre-paid support/revenue, which in connection with accrual basis accounting, is recognized when earned. The amount of deferred revenue reflected on the statement of financial position at June 30, 2012 was \$338,915.

Note J – Prior Period Adjustment

During the fiscal year, the Corporation devoted significant time and resources into improving internal controls over property and equipment. As a result of the Corporation's efforts, it was determined that accumulated depreciation was understated by \$403,724. A prior period adjustment for that amount has been made as reflected in the Statement of Activities on Page 3. As described in Note A, generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and actual results could differ from those estimates. Due to the improvements in internal controls over property and equipment, the Corporation expects property and equipment to be accounted for more accurately going forward.

Note K – Subsequent Events

Were evaluated through August 7, 2012 which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Robeson Health Care Corporation
Detailed Schedule of Functional Expenses -
Community Health Centers Award
For the Fiscal Year Ended June 30, 2012

	<u>Medical</u>	<u>Laboratory</u>	<u>Front Desk</u>	<u>MCC</u>	<u>Facility</u>	<u>Pharmacy Drug Assistance</u>
Personnel						
Salaries and wages	\$ 1,519,519	\$ -	\$ 795,124	\$ 197,100	\$ 96,520	\$ 31,149
Fringe benefits						
Employee benefits	223,875	-	179,479	29,797	28,158	1,246
Payroll taxes	126,195	-	58,510	13,986	6,996	2,485
Travel	3,438	-	4,946	1,579	752	11
Supplies	130,151	46,701	29,341	26,306	31,973	7,925
Contractual						
Contract work	12,973	-	75	-	4,622	-
Repairs and maintenance	87,623	150	20,384	27,035	56,760	-
Interest	8,627	-	450	-	30,049	-
Other						
Rent	5,266	-	798	-	122,795	-
Utilities	151	-	-	-	74,072	-
Insurance	42,229	-	10,529	3,692	13,777	428
Continuing education	13,808	-	335	2,329	-	-
Registration and fees	35,335	350	-	410	2,347	-
Recruiting	36,511	-	1,055	283	129	-
Publications and miscellaneous supplies	9,274	-	-	-	17	-
Telephone, postage, and freight	3,163	77	4,473	375	38,128	-
Other expenses		-	-	-	-	-
Indirect costs	544,478	-	333,006	64,759	323,796	64,759
Depreciation of fixed assets	-	-	-	-	332,426	-
Total program expenses	<u>\$ 2,802,615</u>	<u>\$ 47,278</u>	<u>\$ 1,438,505</u>	<u>\$ 367,650</u>	<u>\$ 1,163,317</u>	<u>\$ 108,002</u>

See independent auditor's report.

Robeson Health Care Corporation
Detailed Schedule of Functional Expenses -
Community Health Center Awards (continued)
For the Fiscal Year Ended June 30, 2012

	<u>Ryan White Part C</u>	<u>Breast & Cervical</u>	<u>Migrant</u>	<u>Health and Wellness</u>	<u>SPRINT</u>	<u>ACCORD</u>	<u>Ryan White Part D</u>	<u>Total CHC</u>
Personnel								
Salaries and wages	\$ 254,906	\$ -	\$ 124,842	\$ 1,929	\$ 44,697	\$ -	\$ 26,092	\$ 3,091,879
Fringe benefits								
Employee benefits	39,790	-	18,011	35	7,524	-	6,604	534,518
Payroll taxes	17,782	-	9,323	148	2,819	-	1,916	240,158
Travel	18	-	400	10	183	-	-	11,336
Supplies	163,565	-	4,471	-	874	-	5,635	446,941
Contractual								
Contract work	100	-	-	-	-	1,170	-	18,940
Repairs and maintenance	91,726	24,170	2,179	-	668	875	52	311,623
Interest	-	-	7,014	-	-	-	-	46,139
Other								
Rent	14,450	-	4	-	-	-	-	143,314
Utilities	3,856	-	739	-	-	-	-	78,818
Insurance	7,648	-	6,828	-	544	-	311	85,984
Continuing education	9,578	-	3,532	-	-	-	45	29,628
Registration and fees	357	-	817	-	370	1,195	-	41,181
Recruiting	1,116	-	145	-	-	-	-	39,240
Publications and miscellaneous supplies	-	-	-	-	-	-	-	9,291
Telephone, postage, and freight	4,811	-	6,282	-	93	-	474	57,877
Other expenses	-	-	-	-	-	-	-	-
Indirect costs	61,272	-	64,759	-	-	-	3,487	1,460,316
Depreciation of fixed assets	-	-	-	-	-	-	-	-
Total program expenses	<u>\$ 670,976</u>	<u>\$ 24,170</u>	<u>\$ 249,347</u>	<u>\$ 2,121</u>	<u>\$ 57,771</u>	<u>\$ 3,240</u>	<u>\$ 44,616</u>	<u>\$ 6,647,182</u>

See independent auditor's report

Robeson Health Care Corporation
Detailed Schedule of Functional Expenses -
Other Federal Awards and Administration
For the Fiscal Year Ending June 30, 2012

	<u>Administration</u>
Personnel	
Salaries and wages	\$ 1,642,803
Fringe benefits	
Employee benefits	205,698
Payroll taxes	99,002
Travel	13,234
Supplies	27,695
Contractual	
Contract work	38,361
Repairs and maintenance	77,759
Interest	139,000
Other	
Rent and equipment rental	786
Utilities	15,328
Insurance	45,352
Continuing education	19,219
Registration and fees	45,912
Recruiting	10,290
Publications and miscellaneous supplies	2,245
Telephone, postage, and freight	40,888
Other expenses	-
Indirect costs	(2,423,571)
Depreciation of fixed assets	-
Total program expenses	<u><u>-</u></u>

See independent auditor's report.

Robeson Health Care Corporation
Detailed Schedule of Functional Expenses -
Behavioral Health
For the Fiscal Year Ending June 30, 2012

	<u>Grace Court</u>	<u>CASP</u>	<u>PCS QSAP</u>	<u>RC QSAP</u>	<u>Crystal Lake Casaworks</u>	<u>Cambridge Perinatal</u>	<u>Block</u>	<u>Village Perinatal</u>	<u>Bridging Families</u>	<u>Perinatal Supv Grant</u>	<u>Client Assistance</u>
Personnel											
Salaries and wages	\$ 260,565	\$ 354,035	\$ 58,966	\$ 60,908	\$ 324,786	\$ 115,499	\$ 73,751	\$ 224,410	\$ 253,974	\$ 40,972	\$ -
Fringe benefits											
Employee benefits	59,755	60,429	6,854	10,953	66,350	17,386	11,037	59,967	55,288	4,284	-
Payroll taxes	19,196	27,240	4,426	4,881	23,539	9,657	5,599	16,582	18,953	2,821	-
Travel	196	4,496	200	-	1,639	211	202	1,140	1,466	1,356	-
Supplies	22,617	33,063	540	2,948	16,738	7,500	17,288	7,979	26,513	-	195
Contractual											
Contract work	-	147	-	-	-	-	-	-	-	-	-
Repairs and maintenance	31,118	19,875	1,319	1,323	8,116	5,454	1,371	5,914	39,921	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-
Other											
Rent/equipment rental	-	36,300	-	-	80,643	92,535	7,482	27,347	-	-	-
Utilities	(14)	8,590	-	-	20,603	16,527	1,512	10,662	2,131	-	-
Insurance	12,297	7,642	1,961	439	7,732	6,746	2,253	5,158	8,820	549	-
Continuing education	395	1,940	373	-	1,342	2,030	237	2,760	5,621	-	-
Registration and fees	853	2,345	203	272	1,090	688	156	908	630	-	-
Recruiting	1,207	1,857	54	344	480	81	460	147	995	-	-
Publications and miscellaneous supplies	117	18,094	15	-	956	242	-	1,254	14	-	18,147
Telephone, postage, and freight	1,818	8,336	71	530	5,481	4,134	1,636	5,176	1,264	18	-
Other expenses	-	-	-	-	-	-	-	-	-	-	-
Indirect costs	69,314	67,636	57,869	67,197	69,314	69,314	57,869	69,314	69,314	-	-
Depreciation of fixed assets	-	-	-	-	-	-	-	-	-	-	-
Total program expenses	<u>\$ 479,435</u>	<u>\$ 652,024</u>	<u>\$ 132,851</u>	<u>\$ 149,797</u>	<u>\$ 628,810</u>	<u>\$ 348,005</u>	<u>\$ 180,854</u>	<u>\$ 438,719</u>	<u>\$ 484,903</u>	<u>\$ 50,000</u>	<u>\$ 18,343</u>

See independent auditor's report.

Robeson Health Care Corporation
Detailed Schedule of Functional Expenses -
Behavioral Health (continued)
For the Fiscal Year Ending June 30, 2012

	<u>PCS Administ</u>	<u>NASAP</u>	<u>Village Casaworks</u>	<u>Majors</u>	<u>Village Maternal</u>	<u>Cambridge Casaworks</u>	<u>Crystal Lake Maternal</u>	<u>Juvenile Crime Prevention Counsel</u>	<u>Our House</u>	<u>Prevention Resources</u>	<u>Total Behavioral Health</u>	<u>Total All Expenses</u>
Personnel												
Salaries and wages	\$ 118,855	\$ 51,489	\$ 331,254	\$ 79,168	\$ 64,217	\$ 346,798	\$ 80,187	\$ 15,117	\$ 209,247	\$ 62,214	\$ 3,126,410	\$ 7,861,092
Fringe benefits												
Employee benefits	17,728	7,009	69,606	12,656	18,346	59,386	20,850	3,146	43,095	12,386	616,509	1,356,726
Payroll taxes	8,635	3,834	25,233	6,191	5,005	25,446	5,941	1,149	15,368	4,814	234,511	573,671
Travel	6,357	196	1,095	1,933	137	10,736	273	312	190	1,757	33,892	58,462
Supplies	1,158	1,852	20,841	4,064	4,369	13,066	6,972	1,266	15,461	552	204,984	679,621
Contractual												
Contract work	412		375						4,237		5,171	62,471
Repairs and maintenance	3,387	1,108	16,810	2,685	4,103	7,852	4,575		461,954	39,026	655,913	1,045,295
Interest	6,713			8,470					1,578		16,762	201,901
Other												
Rent/equipment rental	4	4,498	57,398	3	27,345	56,715	50,478			13,169	453,916	598,016
Utilities	807	937	19,155	729	3,061	21,496	4,297		36,716	2,512	149,722	243,867
Insurance	2,632	1,769	8,456	2,788	1,502	10,357	8,149	191	6,536	1,929	97,904	229,241
Continuing education	1,973	303	3,094	2,000	512	2,239	566	180	1,151	5,244	31,962	80,808
Registration and fees	762	167	821	884	252	690	566		1,021	81	12,389	99,482
Recruiting	825		623	44	12	349	231		1,816	683	10,206	59,736
Publications and miscellaneous supplies	368		1,716	33	173	236	514	14	8,635	2,000	52,529	64,064.65
Telephone, postage, and freight	2,966	715	10,158	2,828	1,884	4,161	3,179	57	7,794	3,798	66,004	164,768.64
Other expenses												
Indirect costs	(163,387)	57,869	69,314	67,198	69,314	69,315	69,314		69,307	57,869	963,255	-
Depreciation of fixed assets	-	-	-	-	-	-	-	-	-	-	-	332,426
Total program expenses	<u>\$ 10,195</u>	<u>\$131,745</u>	<u>\$ 635,949</u>	<u>\$ 191,675</u>	<u>\$ 200,231</u>	<u>\$ 628,840</u>	<u>\$ 256,091</u>	<u>\$ 21,432</u>	<u>\$ 884,108</u>	<u>\$ 208,034</u>	<u>\$ 6,732,039</u>	<u>\$ 13,711,647</u>

See independent auditor's report.

COMPLIANCE SECTION

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
American Institute of CPAs
N. C. Association of CPAs

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*

Robeson Health Care Corporation
Pembroke, North Carolina

We have audited the accompanying basic financial statements of the Robeson Health Care Corporation, as of and for the fiscal year then ended June 30, 2012, and have issued our report thereon dated August 7, 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 Standard*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Robeson Healthcare Corporation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Robeson Health Care Corporation'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 the Robeson Health Care Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 the internal control over financial reporting was for 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Robeson Health Care Corporation'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*.

This report is intended solely for the information and use of the audit committee, management, others within the entity, members of the Robeson Health Care Corporation, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

Lumberton, North Carolina
August 7, 2012



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S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act

Robeson Health Care Corporation
Pembroke, North Carolina

Compliance

We have audited Robeson Health Care Corporation, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Robeson Health Care Corporation's major federal programs for the fiscal year then ended June 30, 2012. The Robeson Health Care Corporation'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 the Robeson Health Care Corporation's management. Our responsibility is to express an opinion on the Robeson Health Care Corporation'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*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation 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 federal program occurred. An audit includes examining, on a test basis, evidence about the Robeson Health Care Corporation'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 on the Robeson Health Care Corporation's compliance with those requirements.

In our opinion, the Robeson Health Care Corporation 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 fiscal year then ended June 30, 2012.

Internal Control Over Compliance

The management of the Robeson Health Care Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Robeson Health Care Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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 the Commission's internal control over compliance.

Robeson Health Care Corporation
Lumberton, North Carolina
Page Two

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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 the internal control over compliance was for limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control 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.

This report is intended solely for the information and use of the audit committee, management, others within the entity, members of the Robeson Health Care Corporation, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

Lumberton, North Carolina
August 7, 2012

S. Presta Douglas, Cardinal, LLP

Robeson Health Care Corporation
Schedule of Findings and Questioned Costs
For the Fiscal 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 X no
- Significant deficiency(s) identified that are not considered to be material weaknesses _____ yes X none reported
- Noncompliance material to financial statements _____ yes X no

Federal Awards

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

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(s) identified that are not considered to be material weaknesses _____ yes X none reported
- Noncompliance material to federal awards _____ yes X no
- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 _____ yes X no

Identification of major federal programs:

CFDA Numbers

93.224
93.918

Names of Federal Program or Cluster

Community Health Center
Ryan White Part C Outpatient EIS

Dollar Threshold used to distinguish between Type A and Type B programs

\$300,000

Auditee qualified as low-risk auditee?

 X yes _____ no

**Robeson Health Care Corporation
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012**

Section II. Financial Statement Findings

None reported

Section III. Federal Award Findings and Questioned Costs

None reported.

Section II. State Award Findings and Questioned Costs

None reported.

Robeson Health Care Corporation
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Direct federal grants:

US Department of Health and Human Services

Community Health Centers (CHC)	93.224	\$ 1,719,216
Community Health Centers (CHC) - Ryan White	93.218	<u>622,343</u>
Total federal awards		<u>\$ 2,341,559</u>