

Jefferson Comprehensive Care System, Inc.

Accountants' Reports, Financial Statements
and Supplementary Information

May 31, 2012

Jefferson Comprehensive Care System, Inc.
May 31, 2012

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Independent Accountants' Report on Financial Statements and Supplementary Information

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

We have audited the accompanying balance sheet of Jefferson Comprehensive Care System, Inc. (the Organization) as of May 31, 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 the Organization'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 Jefferson Comprehensive Care System, Inc. as of May 31, 2012, the results of its operations, 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.

As discussed in *Note 1*, in 2011, the Organization changed its method of presentation and disclosure of patient service revenue, provision for uncollectible accounts and the allowance for uncollectible accounts in accordance with Accounting Standards Update 2011-07.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2012, 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* 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 supplementary information including the schedule of assets, liabilities and net assets by program, schedule of operations and changes in net assets by program and the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and schedule of state awards, 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.

BKD, LLP

October 8, 2012

Jefferson Comprehensive Care System, Inc.

Balance Sheet

May 31, 2012

Assets

Current Assets

Cash	\$	2,099,855
Patient accounts receivable, net of allowance of \$990,687		231,117
Cost report receivable		412,500
Grants and other receivables		341,801
Prepaid expenses		55,326

Total current assets 3,140,599

Other Assets

8,341

Property and Equipment, at Cost

Buildings		709,996
Building improvements		818,247
Furniture and equipment		1,703,204
Motor vehicles		161,233

3,392,680

Less accumulated depreciation 2,170,479

1,222,201

Total assets \$ 4,371,141

Liabilities and Unrestricted Net Assets

Current Liabilities

Accounts payable	\$	146,220
Accrued liabilities		661,066

Total current liabilities 807,286

Unrestricted Net Assets

3,563,855

Total liabilities and unrestricted net assets \$ 4,371,141

Jefferson Comprehensive Care System, Inc.
Statement of Operations and Changes in Net Assets
Year Ended May 31, 2012

Unrestricted Revenues, Gains and Other Support

Patient service revenue (net of contractual discounts and allowances)	\$	2,682,077
Provision for uncollectible accounts		(363,654)
Net patient service revenue less provision for uncollectible accounts		2,318,423
Federal, state and private grant revenues		7,230,392
In-kind revenues		178,994
Other		64,661
Interest income		951
		9,793,421

Expenses

Personnel		4,886,006
Fringe benefits		1,010,339
Travel		81,752
Supplies		492,299
Contractual		1,395,244
Other		1,161,046
In-kind expenses		178,994
Depreciation		213,497
		9,419,177

Excess of Revenues Over Expenses 374,244

Unrestricted Net Assets, Beginning of Year 3,189,611

Unrestricted Net Assets, End of Year \$ 3,563,855

Jefferson Comprehensive Care System, Inc.
Statement of Cash Flows
Year Ended May 31, 2012

Operating Activities	
Excess of revenues over expenses	\$ 374,244
Item not requiring cash	
Depreciation	213,497
Changes in	
Accounts, grants and other receivables	207,475
Prepaid expenses	(1,241)
Accrued expenses	181,060
Accounts payable	<u>(38,457)</u>
Net cash provided by operating activities	<u>936,578</u>
Investing Activities	
Purchase of property and equipment	<u>(81,496)</u>
Net cash used in investing activities	<u>(81,496)</u>
Financing Activities	
Payments on capital lease	<u>(20,265)</u>
Net cash used in financing activities	<u>(20,265)</u>
Increase in Cash	834,817
Cash, Beginning of Year	<u>1,265,038</u>
Cash, End of Year	<u><u>\$ 2,099,855</u></u>

Jefferson Comprehensive Care System, Inc.

Notes to Financial Statements

May 31, 2012

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 (Alzheimer, Redfield, Rison 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 No. 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.

Change in Accounting Principle

In 2012, the Organization changed its method of presentation and disclosure of patient service revenue, provision for uncollectible accounts and the allowance for uncollectible accounts in accordance with Accounting Standards Update (ASU) 2011-07, Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts and the Allowance for Doubtful Accounts for Certain Health Care Entities. The major changes associated with ASU 2011-07 are to reclassify the provision for uncollectible accounts related to patient service revenue to a deduction from patient service revenue and to provide enhanced disclosures around the Organization's policies related to uncollectible accounts. The change had no effect on the prior year change in net assets.

Jefferson Comprehensive Care System, Inc.

Notes to Financial Statements

May 31, 2012

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

Jefferson Comprehensive Care System, Inc.

Notes to Financial Statements

May 31, 2012

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 its fair value. No impairments were recorded during the year ended May 31, 2012.

Net Patient Service Revenue

The Organization has agreements with third-party payers (including Medicare and Medicaid) that provide for payments to the Organization at amounts different from its established rates. 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. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Per the terms of the Consolidated Health Center Grant Program, the Organization provides care without charge or at amounts less than its established rates using sliding fee scale adjustments to patients who meet certain criteria. These adjustments are recorded as a reduction of net patient service revenue.

Estimated Malpractice Costs

An annual estimated provision is accrued for the self-insured portion of medical malpractice claims and includes an estimate of the ultimate costs, if any, for both reported claims and claims incurred but not reported.

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 1 – 1¼ 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, 2012, was approximately \$280,000 and is included as a liability in the financial statements.

Jefferson Comprehensive Care System, Inc.
Notes to Financial Statements
May 31, 2012

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 2009.

Subsequent Events

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

Note 2: Net Patient Service Revenue

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 net patient service revenue are as follows for the year ended May 31, 2012:

Gross patient fees charged	\$	5,333,383
Adjustments of gross patient fees		
Contractual adjustments		(798,742)
Sliding fee scale adjustments		(1,852,564)
		(1,852,564)
Net patient service revenue	\$	2,682,077

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the year ended May 31, 2012, was approximately:

Medicaid	\$	543,519
Medicare		1,121,080
Private insurance		282,672
Self pay		734,806
		734,806
	\$	2,682,077

Jefferson Comprehensive Care System, Inc.
Notes to Financial Statements
May 31, 2012

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 revenue from patients and third-party payers for the year ended May 31, 2012, was as follows:

Medicare	27%
Medicaid	22%
Other third-party payers	15%
Patients	36%
	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, 2012.

Note 4: Functional Expenses

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

Administrative and general (including enabling services)	\$ 3,275,955
Clinical and program services	6,143,222
	\$ 9,419,177

Note 5: Nonmonetary Transactions

The Organization received in-kind contributions of \$178,994 during the year ended May 31, 2012, and consisted primarily of donated space to be utilized in its clinics.

Note 6: Medical Malpractice Coverage and Claims

On-site medical malpractice claims filed against the Organization are covered under the Federal Tort Claims Act. Under this act, claims are litigated and settled, if necessary, by the federal government at no cost to the Organization.

Jefferson Comprehensive Care System, Inc.

Notes to Financial Statements

May 31, 2012

For potential medical malpractice claims resulting from services provided off-site, the Organization purchases medical malpractice insurance under a claims-made policy. Under such policy, only claims made and reported to the insurer during the policy term are covered regardless of when the incident giving rise to the claim occurred. For covered claims, in general, the Organization bears no costs of litigating or settling any asserted claims. However, the Organization bears unlimited risk for individual claims in excess of \$1 million and aggregate claims in excess of \$3 million. The Organization accrues the expense of its share of covered claims plus unasserted claims and unreported incidents occurring during the year by estimating the probable ultimate cost of any related claims. Such estimates are based on the Organization's own claim experience, and, therefore, no costs have been accrued at May 31, 2012. It is reasonably possible the Organization's estimate of losses will change by a material amount in the near term.

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 \$87,129 for the year ended May 31, 2012.

Note 8: 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*.

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.

Jefferson Comprehensive Care System, Inc.

Notes to Financial Statements

May 31, 2012

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, 2012, 37 percent of the Organization's operating revenue 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, 2012

Assets

	Community Health Center	AIDS in Community Health Facilities Program	Title IV	Ryan White CARE Grant
Current Assets				
Cash	\$ 2,011,590	\$ 53,540	\$ 4,791	\$ 25,122
Patient accounts receivable, less allowance for doubtful accounts of \$990,687	160,234	34,781	-	-
Cost report receivable	412,500	-	-	-
Grants and other receivables	225,775	17,578	11,822	32,703
Due to/due from other programs	38,704	-	-	(14,289)
Prepaid expenses	55,079	-	-	-
	<u>2,903,882</u>	<u>105,899</u>	<u>16,613</u>	<u>43,536</u>
Other Assets				
Utility deposits	8,341	-	-	-
	<u>8,341</u>	<u>-</u>	<u>-</u>	<u>-</u>
Property and Equipment, at Cost				
Buildings	709,996	-	-	-
Building improvements	818,247	-	-	-
Furniture and equipment	1,634,415	65,846	2,943	-
Motor vehicles	6,213	-	-	-
	<u>3,168,871</u>	<u>65,846</u>	<u>2,943</u>	<u>-</u>
Less accumulated depreciation	2,011,262	65,846	2,943	-
	<u>1,157,609</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,069,832</u>	<u>\$ 105,899</u>	<u>\$ 16,613</u>	<u>\$ 43,536</u>

AETC	PAT	Arkansas Better Chance	Targeted Capacity Expansion	Total
\$ -	\$ -	\$ -	\$ 4,812	\$ 2,099,855
469	35,633	-	-	231,117
-	-	-	-	412,500
23,927	-	21,909	8,087	341,801
(21,319)	(19,465)	16,369	-	-
-	-	-	247	55,326
<u>3,077</u>	<u>16,168</u>	<u>38,278</u>	<u>13,146</u>	<u>3,140,599</u>
-	-	-	-	8,341
-	-	-	-	709,996
-	-	-	-	818,247
-	-	-	-	1,703,204
-	-	-	155,020	161,233
-	-	-	155,020	3,392,680
-	-	-	90,428	2,170,479
-	-	-	64,592	1,222,201
<u>\$ 3,077</u>	<u>\$ 16,168</u>	<u>\$ 38,278</u>	<u>\$ 77,738</u>	<u>\$ 4,371,141</u>

Jefferson Comprehensive Care System, Inc.
Schedule of Assets, Liabilities and Net Assets
by Program (Continued)
May 31, 2012

Liabilities and Net Assets

	Community Health Center	AIDS in Community Health Facilities Program	Title IV	Ryan White CARE Grant
Current Liabilities				
Accounts payable	\$ 136,263	\$ 9,957	\$ -	\$ -
Accrued liabilities	<u>506,856</u>	<u>52,302</u>	<u>16,613</u>	<u>9,792</u>
Total current liabilities	643,119	62,259	16,613	9,792
Unrestricted Net Assets (Deficit)	<u>3,426,713</u>	<u>43,640</u>	<u>-</u>	<u>33,744</u>
Total liabilities and unrestricted net assets	<u>\$ 4,069,832</u>	<u>\$ 105,899</u>	<u>\$ 16,613</u>	<u>\$ 43,536</u>

AETC	PAT	Arkansas Better Chance	Targeted Capacity Expansion	Total
\$ -	\$ -	\$ -	\$ -	\$ 146,220
<u>11,343</u>	<u>16,168</u>	<u>34,846</u>	<u>13,146</u>	<u>661,066</u>
11,343	16,168	34,846	13,146	807,286
<u>(8,266)</u>	<u>-</u>	<u>3,432</u>	<u>64,592</u>	<u>3,563,855</u>
<u><u>\$ 3,077</u></u>	<u><u>\$ 16,168</u></u>	<u><u>\$ 38,278</u></u>	<u><u>\$ 77,738</u></u>	<u><u>\$ 4,371,141</u></u>

Jefferson Comprehensive Care System, Inc.
Schedule of Operations and Changes
in Net Assets by Program
Year Ended May 31, 2012

	Community Health Center	Head Start 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)	\$ 2,546,416	\$ -	\$ 135,661	\$ -	\$ -	\$ -
Provision for uncollectible accounts	(294,755)	-	(68,899)	-	-	-
Net patient service revenue less provision for uncollectible accounts	2,251,661	-	66,762	-	-	-
Federal, state and private grant revenues	5,044,966	-	618,038	351,979	160,245	269,341
In-kind revenues	178,994	-	-	-	-	-
Other	6,120	4,225	54,316	-	-	-
Interest income	904	10	-	-	37	-
Total unrestricted revenues, gains and other support	7,482,645	4,235	739,116	351,979	160,282	269,341
Expenses						
Personnel	3,694,846	-	320,473	196,527	101,606	146,105
Fringe benefits	751,641	495	69,337	53,224	17,497	28,336
Travel	24,352	-	5,607	4,926	1,257	6,377
Supplies	299,034	455	66,632	22,031	15,792	10,186
Contractual	923,425	25,974	299,057	30,217	9,175	41,364
Other	885,648	7,234	66,873	45,054	14,955	36,973
In-kind expenses	178,994	-	-	-	-	-
Depreciation	182,493	-	-	-	-	-
Total expenses	6,940,433	34,158	827,979	351,979	160,282	269,341
Excess (Deficiency) of Revenue Over Expenses	542,212	(29,923)	(88,863)	-	-	-
Net Assets (Deficit), Unrestricted Beginning of Year	2,884,501	29,923	132,503	-	33,744	(8,266)
Net Assets (Deficit), Unrestricted End of Year	\$ 3,426,713	\$ 0	\$ 43,640	\$ 0	\$ 33,744	\$ (8,266)

PAT	Arkansas Better Chance	Targeted Capacity Expansion	Total
\$ -	\$ -	\$ -	\$ 2,682,077
-	-	-	(363,654)
-	-	-	2,318,423
35,633	351,094	399,096	7,230,392
-	-	-	178,994
-	-	-	64,661
-	-	-	951
<u>35,633</u>	<u>351,094</u>	<u>399,096</u>	<u>9,793,421</u>
30,999	219,624	175,826	4,886,006
2,230	48,895	38,684	1,010,339
315	17,504	21,414	81,752
-	14,544	63,625	492,299
-	21,563	44,469	1,395,244
2,089	55,156	47,064	1,161,046
-	-	-	178,994
-	-	31,004	213,497
<u>35,633</u>	<u>377,286</u>	<u>422,086</u>	<u>9,419,177</u>
-	(26,192)	(22,990)	374,244
-	29,624	87,582	3,189,611
<u>\$ 0</u>	<u>\$ 3,432</u>	<u>\$ 64,592</u>	<u>\$ 3,563,855</u>

Jefferson Comprehensive Care System, Inc.
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2012

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Amount Expended
CHC Cluster			
ARRA – Increase Services to Health Centers	U.S. Department of Health and Human Services	93.703	\$ 142,241
ARRA – Capital Improvement Program	U.S. Department of Health and Human Services	93.703	91,178
Total CHC Cluster			233,419
AIDS Education and Training Centers	U.S. Department of Health and Human Services/ Louisiana State University Medical Center	93.145	269,341
Title IV – Coordinated Access to Research for Women, Infants, Children and Youth	U.S. Department of Health and Human Services	93.153	351,979
Consolidated Health Centers	U.S. Department of Health and Human Services	93.224	3,612,920
Targeted Capacity Expansion Program for Substance Abuse Treatment and HIV/AIDS	U.S. Department of Health and Human Services	93.243	395,234
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	139,566
Medical Assistance Program	U.S. Department of Health and Human Services/Arkansas Department of Human Services	93.778	1,727
HIV Care Formula Grants	U.S. Department of Health and Human Services/Arkansas Department of Health	93.917	160,245
Title III – Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	U.S. Department of Health and Human Services	93.918	618,038
			\$ 5,782,469

Jefferson Comprehensive Care System, Inc.
Schedule of Expenditures of Federal Awards (Continued)
Year Ended May 31, 2012

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 State Awards

Year Ended May 31, 2012

Grantor	Program Revenues/ Expenditures
<i>Arkansas Department of Human Services</i>	
Medical Assistance Program	\$ 1,727
 <i>Arkansas Department of Health</i>	
Community Health Centers Grant	834,888
 <i>Arkansas Department of Education</i>	
Arkansas Parents As Teachers	35,633
Arkansas Better Chance Programs – Parents as Teachers	69,000
Arkansas Better Chance for School Success Program	142,528
	\$ 1,083,776
	Program Revenue
 <i>Arkansas Department of Human Services</i>	
Medicaid ⁽¹⁾	\$ 302,692

⁽¹⁾ Revenue recognized from the various Medicaid programs is included in the total of other revenue in the accompanying statement of operations. Medicaid revenue noted above represents 27 percent (the percentage the State of Arkansas contributed) of total Medicaid revenue recognized during 2012.

**Independent Accountants' 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 the financial statements of Jefferson Comprehensive Care System, Inc. as of and for the year ended May 31, 2012, and have issued our report thereon dated October 8, 2012, which contained an explanatory paragraph regarding the implementation of Accounting Standards Update 2011-07. 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 the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization'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 Organization'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 Organization'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.

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*.

This report is intended solely for the information and use of the governing body, management, others within the Organization and 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.

BKD, LLP

October 8, 2012

Independent Accountants' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of Jefferson Comprehensive Care System, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2012. The Organization'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 Organization's management. Our responsibility is to express an opinion on the compliance of Jefferson Comprehensive Care System, Inc. 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 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. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

In our opinion, Jefferson Comprehensive Care System, 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 May 31, 2012.

Internal Control Over Compliance

The management of Jefferson Comprehensive Care System, 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 the Organization's internal control over compliance with the 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 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.

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.

This report is intended solely for the information and use of the governing body, management, others within the Organization and 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.

BKD, LLP

October 8, 2012

Jefferson Comprehensive Care System, Inc.
Schedule of Findings and Questioned Costs
Year Ended May 31, 2012

Summary of Auditor's Results

1. The opinion expressed in the independent accountants' report was:
 Unqualified Qualified Adverse Disclaimed

2. The independent accountants' report on internal control over financial reporting disclosed:
Significant deficiency(ies)? Yes No
Material weakness(es)? Yes No

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

4. The independent accountants' report on internal control over compliance with requirements that could have a direct and material effect on major federal awards programs disclosed:
Significant deficiency(ies)? Yes No
Material weakness(es)? Yes No

5. The opinion(s) expressed in the independent accountants' report on compliance with requirements that could have a direct and material effect on major federal awards programs disclosed:
 Unqualified Qualified Adverse Disclaimed

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, 2012

7. The Organization's major programs were:

Program	CFDA Number
Consolidated Health Center	93.224
Target Capacity Expansion Program for Substance Abuse Treatment and HIV/AIDS	93.243

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
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No matters are reportable.

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Jefferson Comprehensive Care System, Inc.
Summary Schedule of Prior Audit Findings
Year Ended May 31, 2012

Reference Number	Finding	Status
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No matters are reportable.