

10128

**JEFFERSON COMMUNITY  
HEALTH CARE CENTERS, INC.**

**FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2012 and 2011**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JAN 01 2014

## TABLE OF CONTENTS

	Page
<b>INDEPENDENT AUDITOR'S REPORT</b> .....	1
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position .....	3
Statements of Activities .....	4
Statements of Cash Flows .....	5
Statement of Functional Expenses – 2012 .....	6
Statement of Functional Expenses – 2011 .....	7
Notes to the Financial Statements .....	8
<b>OMB CIRCULAR A-133 COMPLIANCE AND GOVERNANCE AUDITING STANDARDS REPORTS</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	13
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.....	15
Schedule of Expenditures of Federal Awards .....	18
Notes to Schedule of Expenditures of Federal Awards .....	19
Schedule of Findings and Questioned Costs .....	20
Status of Prior Year Findings .....	21



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Jefferson Community Health Care Centers, Inc.  
Marrero, LA

Dear Members:

### Report on the Financial Statements

We have audited the accompanying financial statements of Jefferson Community Health Care Centers, Inc. ("JCHCC"), which comprise the Statements of Financial Position as of December 31, 2012 and 2011, and the related Statements of Activities, Cash Flows and Functional Expenses for the years then ended, and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to JCHCC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of JCHCC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JCHCC as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The *Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2013 on our consideration of JCHCC'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* in considering JCHCC's internal control over financial reporting and compliance.

***Carr, Riggs & Ingram, LLC***

Metairie, Louisiana  
May 16, 2013

## **FINANCIAL STATEMENTS**

**JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2012 and 2011**

**ASSETS**

	<b>2012</b>	<b>2011</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,397,815	\$ 1,849,320
Patient and contracts receivable, net	1,114,487	1,710,234
Other current assets	92,980	33,763
Total Current Assets	3,605,282	3,593,317
<b>Non-Current Assets</b>		
Investment in LPC&A	-	92,000
Property and equipment, net of accumulated depreciation	1,753,563	1,065,364
Total Non-Current Assets	1,753,563	1,157,364
Total Assets	<b>\$ 5,358,845</b>	<b>\$ 4,750,681</b>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts payable	\$ 318,273	\$ 473,015
Accrued expenses	182,954	88,345
Line of credit	72,550	-
Deferred grant revenue	145,536	173,750
Total Current Liabilities	719,313	735,110
<b>Long-term Liabilities</b>		
Long-term debt	250,000	250,000
Total Liabilities	969,313	985,110
<b>Net Assets</b>		
Unrestricted	4,389,532	3,765,571
Total Net Assets	4,389,532	3,765,571
Total Liabilities and Net Assets	<b>\$ 5,358,845</b>	<b>\$ 4,750,681</b>

See accompanying notes to financial statements.

**JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended December 31, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>UNRESTRICTED NET ASSETS</b>		
<b>Public Support and Other Income</b>		
Program revenues	\$ 5,510,474	\$ 5,605,192
Contractual revenues	2,218,467	1,922,233
Other income	618,428	12,256
Total Public Support and Other Income	8,347,369	7,539,681
<b>Expenses</b>		
Program services	6,374,317	5,635,658
Supporting services	1,349,091	989,850
Total Expenses	7,723,408	6,625,508
<b>Increase in Unrestricted Net Assets</b>	623,961	914,173
<b>Net Assets at beginning of year, as previously reported</b>	3,765,571	2,851,398
<b>Net Assets at end of year</b>	\$ 4,389,532	\$ 3,765,571

See accompanying notes to financial statements.

**JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2012 and 211**

	2012	2011
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 623,961	\$ 914,173
Depreciation expense	236,568	211,534
Gain on sale of investment	(424,760)	-
(Increase) decrease in operating assets:		
Contracts receivable	(59,217)	47,326
Other assets	595,747	(1,280,494)
Increase (decrease) in operating liabilities:		
Accounts payable	(154,742)	63,951
Accrued expenses	94,609	(20,780)
Deferred grant revenue	(28,214)	(37,324)
	<u>883,952</u>	<u>(101,614)</u>
<b>Cash Flows from Investing Activities</b>		
Sale of investment in LPC&A	516,760	-
Purchase of property and equipment	(944,859)	(391,875)
Other	20,092	-
	<u>(408,007)</u>	<u>(391,875)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from long-term debt	-	250,000
Proceeds from line of credit	72,550	-
	<u>72,550</u>	<u>250,000</u>
<b>Net cash provided by financing activities</b>	<u>72,550</u>	<u>250,000</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>548,495</u>	<u>(243,489)</u>
<b>Long-term Liabilities</b>		
Cash and Cash Equivalents, Beginning of Year	<u>1,849,320</u>	<u>2,092,809</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 2,397,815</u>	<u>\$ 1,849,320</u>
<b>SUPPLEMENTARY DISCLOSURE OF NONCASH INFORMATION:</b>		
Interest paid	<u>\$ 7,254</u>	<u>\$ 7,094</u>

See accompanying notes to financial statements.



**JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2012**

	<u>PROGRAM SERVICES</u>	<u>SUPPORT SERVICES</u>	<u>TOTAL</u>
Salaries and fringe benefits	\$ 3,366,474	\$ 957,333	\$ 4,323,807
Bad debt expense	927,375	-	927,375
Contract labor and services	866,596	39,829	906,425
Supplies	307,806	11,138	318,944
Depreciation expense	167,303	69,265	236,568
Information technology	178,507	12,401	190,908
Telephone and utilities	121,698	13,308	135,006
Travel and professional	38,006	82,872	120,878
Litigation expense	1,500	115,617	117,117
Rent and leasing	98,166	150	98,316
Office expense	60,393	1,823	62,216
Repairs and maintenance	58,438	319	58,757
Insurance	50,885	4,092	54,977
Marketing and advertising	32,758	8,942	41,700
Banking fees and service charges	20,117	4,103	24,220
Equipment	21,104	2,443	23,547
Dues and subscriptions	9,373	13,825	23,198
Licenses	14,877	3,569	18,446
Interest expense	-	7,254	7,254
Miscellaneous expense	6,870	-	6,870
Patient refunds	6,533	-	6,533
Property taxes	5,881	41	5,922
Postage and printing	4,970	504	5,474
Community outreach	4,546	-	4,546
Security services	2,777	-	2,777
Patient transportation	1,319	263	1,582
Staff recruiting	45	-	45
<b>Total Expenses</b>	<b>\$ 6,374,317</b>	<b>\$ 1,349,091</b>	<b>\$ 7,723,408</b>

See accompanying notes to financial statements.

**JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2011**

	<u>PROGRAM SERVICES</u>	<u>SUPPORT SERVICES</u>	<u>TOTAL</u>
Salaries and fringe benefits	\$ 3,106,096	\$ 827,403	\$ 3,933,499
Contract labor and services	892,160	86,974	979,134
Bad debt expense	404,258	-	404,258
Supplies	253,479	924	254,403
Depreciation expense	211,534	-	211,534
Telephone and utilities	139,644	300	139,944
Repairs and maintenance	132,290	-	132,290
Travel and professional	71,457	45,564	117,021
Rent and leasing	88,835	5,094	93,929
Marketing and advertising	72,075	3,955	76,030
Information technology	67,351	440	67,791
Office expense	40,703	373	41,076
Insurance	39,507	-	39,507
Dues and subscriptions	17,312	15,300	32,612
Security services	21,470	-	21,470
Banking fees and service charges	20,742	315	21,057
Equipment	10,183	-	10,183
Licenses	9,681	-	9,681
Community outreach	5,679	3,191	8,870
Postage and printing	8,392	16	8,408
Property taxes	8,145	-	8,145
Interest expense	7,094	-	7,094
Patient refunds	3,632	-	3,632
Staff recruiting	3,481	-	3,481
Patient transportation	238	-	238
Miscellaneous expense	220	1	221
<b>Total Expenses</b>	<b>\$ 5,635,658</b>	<b>\$ 989,850</b>	<b>\$ 6,625,508</b>

See accompanying notes to financial statements.

**JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2012 and 2011**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

Jefferson Community Health Care Centers, Inc. ("JCHCC") is a non-profit organization organized under the laws of the State of Louisiana. Its mission is to provide healthcare services, including medical, mental health, optometry, dental, and social services to underinsured and uninsured citizens of Jefferson Parish, Louisiana. JCHCC has three (3) locations: Avondale, Marrero, and River Ridge, Louisiana. Each location is considered a federally qualified health center.

Basis of Accounting

JCHCC's financial statements are prepared on the accrual basis of accounting, whereby revenue is recorded when earned and expenses are recorded when incurred.

Public Support and Revenue

JCHCC receives its support primarily from federal, state, and local governmental agencies. Revenue is recorded on the accrual basis as they are received, and allowances are provided for receivables that are estimated to be uncollectible. Revenues are considered available for unrestricted use unless specifically restricted by the grant. Grants which relate to a subsequent year are recorded as receivables and temporarily restricted net assets in the year the commitment is received. Grants whose restrictions are met in the same reporting period are reported as unrestricted support.

Receivables that are considered uncollectible are written-off. The allowance for uncollectible accounts is an amount management believes will be adequate to absorb receivables that may become uncollectible based on historical trends and economic conditions.

Deferred Revenue

Grant funds are considered to be earned when qualifying expenditures are made and all other grant requirements have been met and accordingly, when such funds are received, they are recorded as deferred revenue until earned.

Functional Expenses

The cost of program and supporting services has been reported on a functional basis. This requires the allocation of certain costs based on total program costs and estimates made by management.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**For the Years Ended December 31, 2012 and 2011**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property and Equipment

Improvements which significantly extend the useful life of an asset and purchases of furniture, fixtures and equipment in excess of \$1,500 are capitalized. The straight line method of depreciation is used for the assets owned by JCHCC. Useful lives of furniture and equipment are between 5-10 years and leasehold improvements are 10 years.

Income Taxes

JCHCC is a tax exempt organization under Internal Revenue Code Section 501(c)(3) and as such is not subject to income tax. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by JCHCC and recognize a tax liability if JCHCC has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by JCHCC, and has concluded that as of December 31, 2012 and 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a tax liability or disclosure in the financial statements. JCHCC is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. JCHCC's open audit periods are 2009 – 2011.

Cash and Cash Equivalents

Cash is comprised of cash on hand and in banks. JCHCC considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

Investment in Louisiana Partnership for Choice and Access, LLC

JCHCC uses the cost method to account for its 4.69% investment in the partnership. Under the cost method, JCHCC recognizes its share of the earnings and losses of the partnership as they are realized. JCHCC entered the partnership in 2009 with a cash investment of \$92,000. JCHCC sold its investment in 2012 recording a gain on the sale of the investment in the amount of \$424,760. The balance recorded in the Statements of Financial Position represents the cost of the investment as of December 31, 2012 and 2011.

Basis of Presentation

JCHCC follows the provisions of Not-For-Profit Entities Topic of FASB ASC (FASB ASC 958), which establishes external financial reporting for not-for-profit organizations which includes three basic financial statements and classification of resources into separate categories of net assets, as follows:

- Unrestricted - Net assets which are free of donor imposed restrictions; all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets.

**JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**For the Years Ended December 31, 2012 and 2011**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- Temporarily Restricted - Net assets whose use by JCHCC is limited by donor-imposed stipulations that either expire by the passage of time or that can be fulfilled or removed by actions of JCHCC pursuant to such stipulations.
- Permanently Restricted - Net assets whose use by JCHCC is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled and removed by actions of JCHCC.

**Subsequent Events**

JCHCC has evaluated subsequent events through May 16, 2013, which is the date the financial statements were available to be issued.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

Under State law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or pledged securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2012 and 2011, cash and cash equivalents consisted of deposits with financial institutions with carrying balances of approximately \$2.4 million and \$1.9 million, respectively. These deposits are secured from risk by \$250,000 for interest bearing accounts from the Federal Deposit Insurance Corporation (FDIC). The Dodd-Frank Act provides temporary unlimited coverage on amounts in non-interest bearing accounts through December 31, 2012. At December 31, 2012, JCHCC's cash deposits were insured. At December 31, 2011, JCHCC had cash deposits in excess of federally insured limits of approximately \$650,000.

**NOTE 3 –CONCENTRATION OF CREDIT RISKS**

JCHCC receives a significant majority of its revenue from contracts with governmental agencies, primarily the U.S. Department of Health and Human Services. If significant adverse changes are made at the Federal, State, and/or local level regarding the use of community health care centers to provide services to indigent and underinsured patients, the amount of contract revenue that JCHCC receives could be significantly reduced. This could have an adverse impact on JCHCC's operations, its financial position and results of operations.

**JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**For the Years Ended December 31, 2012 and 2011**

**NOTE 4 – PATIENT / CONTRACTS RECEIVABLE**

At December 31, 2012 and 2011, accounts receivable includes patient and contract receivables. JCHCC uses grant funds to supplement revenues for indigent patient care. Patient and contract receivables are evaluated for collectability by management on a periodic basis. Management estimates an allowance for uncollectible accounts to absorb receivables that are anticipated to become uncollectible. The allowance for uncollectible accounts at December 31, 2012 and 2011 is \$689,340 and \$1,111,487, respectively. Receivables that were considered uncollectible by management and written-off during the years ended December 31, 2012 and 2011 were \$927,375 and \$404,258, respectively.

	2012	2011
Beginning Balance	\$1,111,487	\$ 787,348
Write-Offs	(927,375)	(80,119)
Provisions	505,228	404,258
Ending Balance	\$ 689,340	\$1,111,487

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment is summarized as follows:

	2012	2011
Furniture, fixtures, and equipment	\$1,151,906	\$1,027,506
Leasehold improvements and construction in process	481,098	313,913
Construction in process	687,518	34,244
Land	255,000	255,000
Less accumulated depreciation	(821,959)	(565,299)
Property and equipment, net	\$1,753,563	\$1,065,364

Depreciation expense was \$236,568 and \$211,534 for the years ended December 31, 2012 and 2011, respectively.

**NOTE 6 – ADVERTISING EXPENSES**

JCHCC uses advertising to promote the operations of its clinics and the costs associated with advertising are expensed when incurred. Advertising and marketing expenses for the years ended December 31, 2012 and 2011 were \$41,700 and \$76,030, respectively.

**NOTE 7 – BOARD OF DIRECTORS COMPENSATION**

The Board of Directors is a voluntary board. Therefore, no compensation was paid to any Board member during the years ended December 31, 2012 and 2011.

**JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**For the Years Ended December 31, 2012 and 2011**

**NOTE 8 – IN-KIND CONTRIBUTIONS**

JCHCC has three (3) locations in which it provides services. The leases for the premises located in Avondale and River Ridge, Louisiana are Cooperative Endeavor Agreements between JCHCC and West Jefferson Medical Center (WJMC). WJMC allowed JCHCC to occupy the premises rent free for the purpose of operating its independent outpatient medical clinics. Additionally, JCHCC has entered into a Cooperative Endeavor Agreement with the Parish of Jefferson, Louisiana, rent free for its third location in Marrero, Louisiana.

JCHCC is unable to determine a value of these in-kind contributions as of the date of this report.

**NOTE 9 – RENT EXPENSE**

During the years ended December 31, 2012 and 2011, JCHCC had rent and leasing expense related to its medical and administrative office space and for offsite storage for \$98,316 and \$93,929, respectively.

**NOTE 10 – LINE OF CREDIT**

JCHCC has a line of credit for \$200,000 with a bank bearing interest at PRIME plus 1.5 basis points subject to a floor of 4.75%. The line is secured by JCHCC's deposits at the bank, along with interest in both present and future real property of JCHCC. JCHCC had an outstanding balance of \$72,550 and \$-0- on the line of credit as of December 31, 2012 and 2011, respectively. No interest was paid on the line of credit in 2011.

**NOTE 11 – LONG TERM DEBT**

In December 2012, JCHCC entered into a construction loan with a bank which allows JCHCC to borrow up to \$1,440,000. JCHCC pays interest on the loan at a variable rate until December 2013 at which time the loan converts to an amortizing term loan with a 5 year term with a fixed rate. As of December 31, 2012, the interest rate was 4.24%, and JCHCC pays interest monthly on the outstanding balance. The loan was entered into to purchase property in Avondale, Louisiana for use as a future location. The loan is collateralized by all present and future real and personal property of JCHCC. The outstanding balance on the loan at December 31, 2012 was \$250,000.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

The Louisiana Legislative Auditor issued on August 1, 2012 a Compliance Audit with respect to certain transactions of the JCHCC. Such audit reported the improper use of public funds, possible conflicts of interests, questionable payments, etc. for certain years prior to 2012. Such report can be found at the Legislative Auditor's website ([www.la.gov](http://www.la.gov)). All significant findings in such report have been corrected by the JCHCC.

## **SUPPLEMENTAL INFORMATION**





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**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***

*Independent Auditor's Report*

Board of Directors  
Jefferson Community Health Care Centers, Inc.  
Marrero, LA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Jefferson Community Health Care Centers, Inc. ("JCHCC"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise JCHCC's basic financial statements, and have issued our report thereon dated May 16, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered JCHCC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of JCHCC's internal control. Accordingly, we do not express an opinion on the effectiveness of JCHCC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of JCHCC's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether JCHCC's financial statements are free from 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*.

### **Purpose of this Report**

This report is intended for the information and use of JCHCC's management, Board of Directors, others within JCHCC, the Legislative Auditor of the State of Louisiana, federal awarding agencies and federal flow through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Carr, Riggs & Ingram, LLC*

May 16, 2013



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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB  
CIRCULAR A-133**

*Independent Auditor's Report*

Board of Directors  
Jefferson Community Health Care Centers, Inc.  
Marrero, LA

**Report on Compliance for Each Major Federal Program**

We have audited Jefferson Community Health Care Centers, Inc.'s ("JCHCC") 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 JCHCC's major federal programs for the year ended December 31, 2012. JCHCC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of JCHCC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about JCHCC's compliance

with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of JCHCC's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, JCHCC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended December 31, 2012.

### **Report on Internal Control Over Compliance**

Management of JCHCC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered JCHCC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 JCHCC's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of JCHCC as of and for the year ended December 31, 2012, and have issued our report thereon dated May 16, 2013, which contained an unmodified 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 federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Carr, Riggs & Ingram, LLC*

May 16, 2013

**JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2012**

<u>Grantor</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Health and Human Services: Health Resources and Services Administration	93.224	<u>\$2,209,475</u>
Total Expenditures of Federal Awards		<u>\$2,209,475</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2012**

**NOTE 1 - GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the revenues from federal awards of JCHCC as defined in Note 1 to JCHCC's basic financial statements. All federal awards were received directly from Federal agencies.

**NOTE 2 - BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of JCHCC and is presented on the accrual basis of accounting.

**NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Federal awards revenues are reported in JCHCC's basic financial statements as program revenues.

**NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards are derived from revenues as expenditures related to federal financial reports were not available.

**NOTE 5 - FEDERAL AWARDS**

Federal awards do not include JCHCC's operating income from rents or income from investments (or other non-federal sources).

**JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2012**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The independent auditor's report expresses an unqualified opinion on the financial statements of Jefferson Community Health Care Centers, Inc. ("JCHCC").
2. Control deficiencies were disclosed by the audit of the financial statements: No  
Material weaknesses: No
3. Noncompliance which is material to the financial statements: No
4. Control deficiencies over major program: No  
Material weaknesses: No
5. Management Letter Issued: Yes
6. The type of report issued on compliance for major program: unqualified
7. Major program: Department of Health and Human Services – Health Resources and Services Administration, CFDA Number 93.224.
8. The threshold for distinguishing between Type A and Type B programs was \$300,000.
9. JCHCC did not qualify as a low-risk auditee.

**B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

None noted

**C. FINDINGS RELATED TO COMPLIANCE AND OTHER MATTERS**

None noted

**D. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS**

None noted



**JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.**  
**STATUS OF PRIOR YEAR FINDINGS**  
**For the Year Ended December 31, 2011**

11-01 Accounts Payable - Resolved

11-02 Retainer Fees - Resolved

11-03 Deposit Collateral - Resolved

**JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.**

**MEMORANDUM OF ADVISORY COMMENTS**

**For the Year Ended December 31, 2012**

# TABLE OF CONTENTS

	<u>Page</u>
AUDITOR'S REPORT	1
OBSERVATIONS AND RECOMMENDATIONS	
1. Accrual and Payment of Earned Paid Time Off.....	2
2. Allowance for Uncollectible Accounts and Bad Debt Write-offs.....	2



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May 16, 2013

Board of Directors  
Jefferson Community Health  
Care Centers, Inc.

Dear Members:

In planning and performing our audit of the financial statements of Jefferson Community Health Care Centers, Inc. ("JCHCC") as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the JCHCC's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of JCHCC's internal control. Accordingly, we do not express an opinion on the effectiveness of JCHCC's internal control.

However, during our audit we became aware of a deficiency in internal control other than a significant deficiency and material weakness and a matter that is an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters.

We will review the status of the comments during our next audit engagement. We have already discussed these comments and recommendations with JCHCC personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of the matter.

Sincerely,

*Carr, Riggs & Ingram, LLC*

## **1. Accrual and Payment of Earned Paid Time Off**

### **Observation:**

JCHCC policy allows an employee to receive payment of accrued time off earned in the year of separation. We noted two (2) exceptions in which terminated employees received payment for accrued time off earned in prior years along with the current year paid time off. JCHCC overpaid the aforementioned terminated employees approximately \$11,800 for the year ending December 31, 2012 for earned paid time.

### **Recommendation:**

We recommend the Director of Human Resources prepare the calculation of earned paid time off to be paid to the employee upon separation and that the amount be reviewed for accuracy and approved by the Chief Financial Officer or Chief Executive Officer.

### **Corrective Action Plan:**

The following corrective plan has been implemented:

1. Management will review current HR policies regarding Paid Time Off and adjust as necessary to avoid over payments.
2. Paid time off will be randomly audited at least twice annually for accuracy. The Chief Financial Officer reviews and approves any adjustments to Paid Time Off, if any.
3. The Chief Financial Officer reviews Paid Time Off for accuracy and approves prior to the distribution of payment.

## **2. Allowance for Uncollectible Accounts and Bad Debt Write-offs**

### **Observation:**

Due to the nature of the services provided by JCHCC, contractual adjustments for medical billings and collections on receivables from patients can result in receivables becoming either partially collectible or fully uncollectible, which require JCHCC to either create an allowance for these uncollectible accounts or write-off these bad debts when considered by management to be uncollectible. We noted JCHCC elected to wait until year end to review its receivables, which contributed to JCHCC having several significant closing adjusting entries related to contract receivables, specifically the allowance for uncollectible accounts and bad debt write-offs.

### **Recommendation:**

We recommend JCHCC create an allowance for uncollectible.

**Corrective Action Plan:**

The following corrective plan has been implemented:

1. Interface between the Medical and the Dental billing software will allow easier reconciliation of both the billing and the financial software.
2. Analysis of collections to determine percentage collectible after thirty days and adjust allowance for uncollectible based on a quarterly review of accounts receivable.
3. Monthly review of outstanding receivables by Billing Manager and Chief Financial Officer will identify uncollectible accounts sooner.