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DEEMER

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JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.

Independent Auditor's Report and Financial Statements
For the Year Ended December 31, 2007

Deemer CPA and Consulting Services, LLC

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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 8/18/10

Jefferson Community Health Care Center, Inc.
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Independent Auditor's Report

**To the Board of Directors of
Jefferson Community Health Care Center, Inc.:**

I was engaged to audit the accompanying statement of financial position of Jefferson Community Health Care Center, Inc. (a non-profit organization) (hereinafter referred to as JCHCC) as of December 31, 2007, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of JCHCC management.

The accounting and reporting processes for the financial statements as a whole were ineffective during the year ended December 31, 2007. The management of Jefferson Community Health Care Center, Inc. provided financial statements for audit that were not maintained in the general clinic accounting system which recorded daily transactions. As a result, the accuracy and appropriateness of the transactions and balances contained within these accounts was indeterminable.

Due to the significance of the matters described above, and since the scope of work was not sufficient, I am unable to express and I do not express, an opinion on the financial statements of the Jefferson Community Health Care Center, Inc.

In accordance with Government Auditing Standards, I have also issued my report dated November 11, 2008 on my consideration of Jefferson Community Health Care Center, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contract, and grants. 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 my audit.

My audit was performed for the purpose of forming an opinion on the financial statements of JCHCC taken as a whole. The schedule of functional expenses and the schedule of expenditures of federal awards are presented for purposes of additional

analysis and are not a required part of the financial statements of the organization. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Deemer CPA and Consulting Services, LLC

New Orleans, Louisiana

November 11, 2008 except for Note 11 and Finding 07-01, for
which the date is December 15, 2009

Jefferson Community Health Care Centers, Inc.
Statement of Financial Position
As of December 31, 2007

<u>Assets</u>	
Cash	\$ 3,350,194
Patient and Contract Receivable	594,404
Prepaid Expenses	2,150
Deposit	<u>2,244</u>
Total Current Assets	3,948,992
<u>Fixed Assets</u>	
Leasehold Improvements	277,350
Office Equipment	112,232
Accumulated Depreciation	<u>(58,400)</u>
Total Fixed Assets (Net)	331,182
Total Assets	<u>\$ 4,280,174</u>
<u>Liabilities and Net Assets</u>	
Accounts Payable	\$ 91,689
Accrued Payroll Expense	22,351
Deferred grant revenue	1,439,720
Lease Payable-Current	<u>12,129</u>
Total Current Liabilities	1,565,889
Lease Payable-Long Term	<u>12,720</u>
Total Liabilities	1,578,609
<u>Net Assets</u>	
Unrestricted	<u>2,701,565</u>
Total Net Assets	<u>2,701,565</u>
Total Liabilities and Net Assets	<u>\$ 4,280,174</u>

The accompanying notes are an integral part of these financial statements

Jefferson Community Health Care Centers, Inc.
Statement of Activities
For the Year Ended December 31, 2007

	<u>Unrestricted</u>
Revenues	
Contract Revenue	\$ 5,643,723
Insurance Carrier Payments	401,734
Private Patient Payments	432,695
In-Kind Contributions	132,000
Donations	840
Other Revenue	23,063
Total revenues	6,634,055
 Expenses	
Program Services	\$ 2,928,456
Support Services	1,525,233
Total Expenses	4,453,689
Change in Net Assets	\$ 2,180,366
Net Assets At Beginning Of Year	521,199
Net Assets At End Of Year	\$ 2,701,565

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

Jefferson Community Health Care Centers, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2007

Cash Flows From Operating Activities:

Changes in Net Assets	\$ 2,180,366
Adjustments to Reconcile Net Revenues over Expenditures to Net Cash Provided by Operating Activities	
Depreciation Expense	27,819
Changes in Operating Assets and Liabilities	
Patient and Contract Receivable	(336,310)
Prepaid Expenses	(1,654)
Accounts Payable	(231)
Deferred Grant Revenue	1,439,720
Accrued Payroll Expense	19,191
Capital Lease Payable	<u>(12,129)</u>
Net Cash Provided by Operating Activities	3,316,051

Cash Flows From/(Used) in Investing Activities:

Purchase/Sale of Property	(305,886)
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Cash Flows From Financing Activities:

Net Cash Provided by Financing Activities	<u>0</u>
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Net Cash Increase for Period	3,010,155
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Cash, At Beginning of Period January 1, 2007	<u>340,039</u>
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Cash, At End of Period December 31, 2007	<u><u>\$ 3,350,194</u></u>
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The accompanying notes are an integral part of these financial statements.

Jefferson Community Health Care Center, Inc.
Notes to the Financial Statements
For the Year Ended December 31, 2007

1. Summary of Significant Accounting Principles

General - Jefferson Community Health Care Center, Inc. (JCHCC) is a non-profit corporation organized under the laws of the State of Louisiana. Its mission is to provide healthcare services including medical, mental health, optometry and social services to underinsured and uninsured citizens of Jefferson Parish. The federally qualified health center has locations in Avondale, Marrerro, and RiverRidge, Louisiana.

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.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment - Improvements which significantly extend the useful life of an asset and purchases of furniture, fixtures and equipment in excess of \$5,000 are capitalized. The straight line method of depreciation is used for the assets owned by JCHCC.

Income Taxes - JCHCC has been determined to be tax exempt under Section 501 (c) 3 of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

Cash - 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. At December 31, 2007 the agency had approximately \$3,350,194 of cash in banks and in certain instances several accounts contained amounts greater than FDIC insurance limits. Management has not experienced losses in the past from either of its banking institutions and does not believe its exposed to a significant amount of credit risk.

2. Net Assets - A description of the three types of Net Assets categories is described below:

Unrestricted net assets are comprised of funds without donor-imposed restrictions. The revenues received by JCHCC and expenses incurred are included in this category.

Temporarily restricted net assets include income, gifts, and contributions which have temporary restrictions that have not been met.

Permanently restricted net assets include income, gifts, and contributions which have donor-imposed restrictions to be invested in perpetuity and only the income from those investments can be made available for program operations.

As of December 31, 2007, JCHCC had unrestricted net assets, however there were no temporarily or permanently restricted net assets.

3. Property and Equipment

Property and Equipment consisted of the following at December 31, 2007:

Equipment and Office Furniture	\$ 112,232
Leasehold Improvements	277,350
Less: Accumulated Depreciation	(58,400)
Total Property and Equipment	<u>\$ 331,182</u>

Current year depreciation expense was recorded at \$27,819.

4. Patient/Contracts Receivable

At December 31, 2007, accounts receivable included patient and contract payments receivable. Patient receivables are maintained on the books for six (6) months before they are considered uncollectible by JHCC. JCHCC uses grant funds to make up the short fall in receivables for indigent patient care. Contract payments are considered fully collectible.

5. Significant Concentration

The organization receives approximately 90% of its revenue from contracts with governmental agencies and a local private hospital. If significant changes are made at the federal 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 JHCC receives could be significantly reduced. This could have an adverse impact on the centers' operations. As of the date of this report, management is not aware of any actions that will adversely affect the amount of revenue it will receive for the current year.

6. Lease Obligations

Capital Lease

The organization entered into a lease agreement with a lending institution to finance the purchase of a medical billing system, which included software, equipment, installation, licenses and training. The 60-month non-cancelable lease has monthly payments of \$1,010.78. *The minimum annual payments under the lease are as follows:*

<u>Year end</u>	<u>Amount</u>
2008	12,129
2009	<u>12,720</u>
Total	<u>\$24,849</u>

Operating Lease

The organization also leases office space under a three-year non-cancelable lease expiring on June 30, 2008. In addition, JCHCC has a 48-month operating lease for copier equipment. The following is a schedule of future minimum rental payments required under the above operating leases as of December 31, 2007.

<u>Year end</u>	<u>Amount</u>
2007	15,660
2008	<u>3,584</u>
Total	<u>\$19,244</u>

7. Deferred Grant Revenue

JCHCC received approximately \$1,962,232 in federal grant funds for primary care and access stabilization. The funds were advanced in two payments while the program continued into 2008. The unspent funds received during 2007 totaled \$1,439,720.

8. Advertising and Promotional Expenses

JCHCC uses advertising to promote the operations of its clinics and the costs associated with advertising are expensed when incurred. During the twelve months ended December 31, 2007, advertising and marketing costs totaled \$132,197.

9. Board of Directors Compensation

The board of directors is a voluntary board; therefore, no compensation was paid to any board member during the year ended December 31, 2007.

10. In-Kind Contributions

Jefferson Community Health Care Center, Inc. was housed at West Jefferson Medical Center (WJMC). The WJMC allowed JCHCC to occupy the premises for the purpose of operating its independent outpatient medical clinic. The value of occupying this space is estimated at \$132,000. The In-Kind Donation is recorded as revenue and has a corresponding expense.

11. Subsequent Event

The State of Louisiana Legislative Auditor performed an audit of this agency and their report is available as a public document in their office and online.

SUPPLEMENTAL INFORMATION

Jefferson Community Health Care Centers, Inc.
Statement of Functional Expenditures
For the Year Ended December 31, 2007

	PROGRAM SERVICES		SUPPORTING SERVICES	TOTALS
	Community Health Care	Management & General	Management & General	
Operating Expenses:				
Payroll Expenses	1,130,005	791,199		1,921,204
Fringe Benefits	161,315	112,950		274,265
Professional Fees -				
Accounting / Legal	-	71,133		71,133
Professional Develop	4,107	6,161		10,268
Depreciation	-	27,819		27,819
Insurance	49,118	9,188		58,306
Interest Expense	-	2,450		2,450
Advertising/Marketing	132,197	2,332		134,529
Contracted Services	316,350	39,167		355,517
Computer Expense/P.M.	98,536	51,145		149,681
Rent Expense	204,000	38,145		242,145
Telephone/Communications	44,392	15,846		60,238
Printing & Reproduction	-	250		250
Bank Service Charges	-	1,735		1,735
Community Outreach	25,160	-		25,160
Bad Debt Expense	108,646	-		108,646
Dues, Memberships and Subscrip	3,724	5,500		9,224
Licenses	3,533	751		4,284
Medical Waste Disposal	7,793	-		7,793
Meals and Entertainment	11,348	19,479		30,827
Office Furniture and Equipment	72,444	46,196		118,640
Lab Fees	228,199	-		228,199
Medical Supplies	119,202	-		119,202
Miscellaneous	-	1,106		1,106
Office Supplies and Expense	53,239	98,074		151,313
Postage & Delivery	2,248	2,247		4,495
Program Expenses	1,871	-		1,871
Repairs and Maintenance	89,774	89,775		179,549
Security	-	30,626		30,626
Travel & Conferences	26,553	61,959		88,512
Utilities	30,420	-		30,420
Uniforms	4,282	-		4,282
TOTAL	<u>\$ 2,928,456</u>	<u>\$ 1,525,233</u>		<u>\$ 4,453,689</u>

See Independent Auditor's Report.

**Jefferson Community Health Care Center
Schedule of Governmental Financial Assistance
For the Year Ended December 31, 2007**

<u>Grantor</u>	<u>CFDA Number</u>	<u>Revenues</u>	<u>Expenses</u>
U.S. Department Of Health and Human Services: Health Resources and Services Administration	93.224	\$ 863,854	\$ 863,854
*Social Services Block Grant	93.667	1,326,827	1,326,827
PCASG-Primary Care and Access Stabilization Grant	93.779	1,962,232	522,512
Total Governmental Financial Assistance		\$ 4,152,913	\$ 2,713,193

Note: The accompanying schedule of expenditures of governmental financial assistance is prepared on the accrual basis of accounting.

*Major program as indicated by OMB Circular A-133

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



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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**

To the Board of Directors of
Jefferson Community Health Care Center, Inc.

I have audited the financial statements of Jefferson Community Health Care Center, Inc. (JCHCC) as of and for the year ended December 31, 2007, and have issued my report thereon dated November 11, 2008. I conducted my 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

In planning and attempting to perform my audit, I considered JCHCC's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of JCHCC's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of JCHCC's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiency described as a repeat finding in the accompanying schedule of findings and questioned costs as finding 06-01 and finding 07-01 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. The significant deficiencies mentioned above as 06-01 and 07-01, I consider to also be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether JCHCC's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 06-01 and 07-01.

This report is intended solely for the information and use of management, JCHCC Board of Directors, others within the entity, the State of Louisiana Legislative Auditor, 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.

Deemer CPA and Consulting Services, LLC

November 11, 2008 except for Note 11 and Finding 07-01, for which the date is December 15, 2009



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**Report on Compliance With Requirements Applicable to Each Major Program and
on Internal Control Over Compliance in Accordance With OMB Circular A-133**

To the Board of Directors of
Jefferson Community Health Care Center, Inc.

Compliance

I have audited the compliance of Jefferson Community Health Care Center, Inc. (JCHCC) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. JCHCC's major federal program is 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 JCHCC's management. My responsibility is to express an opinion on JCHCC's compliance based on my audit.

I conducted my 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 I 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 I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of JCHCC's compliance with those requirements.

As described in items 06-1 through 07-01 in the accompanying schedule of findings and questioned costs, JCHCC did not comply with requirements regarding Monitoring, Cash Management, Eligibility and Reporting that are applicable to its Social Services Block Grant and the PCASG-Primary Access and Stabilization Grant. Compliance with such requirements is necessary, in my opinion, for JCHCC to comply with requirements related to its major federal programs.

In my opinion, because of the effects of the noncompliance described in the preceding paragraph, JCHCC did not comply in all material respects, with the requirements referred to above that are applicable to its major federal programs.

Internal Control Over Compliance

The management of JCHCC 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 attempting to perform my audit, I considered JCHCC'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 my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of JCHCC's internal control over compliance.

A *control deficiency* in an entity's 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than *inconsequential* will not be prevented or detected by the entity's internal control. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 06-01 and 07-1, to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. The significant deficiencies 06-01 and 07-01 in internal control over compliance described in the accompanying schedule of findings and questioned costs are considered to be material weaknesses.

This report is intended solely for the information and use of management, JCHCC's Board of Directors, others within the entity, 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.

Deemer CPA and Consulting Services, LLC
November 11, 2008 except for Note 11 and Finding 07-01, for
which the date is December 15, 2009

Jefferson Community Health Care Center, Inc.
Summary Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2007

I have audited the financial statements of Jefferson Community Health Care Center, Inc. as of and for the year ended December 31, 2007, and have issued my report thereon dated November 11, 2008. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. I have summarized my audit of the financial statements as of December 31, 2007.

1. Summary of Auditor's Results

- A. Control Deficiencies were disclosed by the audit of the financial statements: **Yes**
Material Weaknesses: **Yes**
- B. Noncompliance which is material to the financial statements: **Yes**
- C. Control Deficiencies over major programs: **Yes**
Material Weaknesses: **Yes**
- D. The type of report issued on compliance for major programs: **Adverse Opinion**
- E. Any audit findings which are required to be reported under section 510(a) of OMB Circular A-133: **No**
- F. Major program: **Department of Health and Human Services, Social Services Block Grant, CFDA Number 93.667**
- G. Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**
- H. Auditee qualified as a low-risk audited under section 530 of OMB Circular A-133: **No**

Jefferson Community Health Care Center, Inc.
Current Year Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2007

06-01 Delinquent Audit Report Submission

Criteria: Federal government statutes require the audit for this organization to be submitted on or before nine months following the fiscal year end or within thirty days following the issuance of the report whichever is sooner.

Condition: The organization retained audit services for its 2007 financial statements in October 2008.

Cause: The audit was not engaged timely.

Effect: The organization's inability to provide audited financial statements within the required timeframe resulted in noncompliance with federal statutes.

Recommendation: The Jefferson Community Health Care Center, Inc. should engage an auditor in a timely manner.

07-01 Financial Statements maintained outside of general clinic accounting system

Criteria: Federal government statutes require financial statements to be maintained to provide for an "audit trail". Furthermore, industry standards require financial statements to be prepared from recorded daily transactions.

Condition: The organization retained audit services for its 2007 financial statements and provided financial statements that were being maintained in the Director of Finance's office and not from the general clinic accounting system used daily by accounting staff.

Cause: The Director of Finance was maintaining a separate set of financial statements in his office.

Effect: The organization was unable to provide audited financial statements as required.

Recommendation: The Jefferson Community Health Care Center, Inc. should maintain one (1) complete set of financial statements in its financial reporting system that is utilized by all accounting personnel.

Jefferson Community Health Care Center, Inc.
Status of Prior Year Findings
For the Year Ended December 31, 2007

06-01 Delinquent Audit Report Submission

Unresolved

This audit finding is both a current and prior year finding.