

FINANCIAL STATEMENTS

BEAUFORT-JASPER-HAMPTON  
COMPREHENSIVE HEALTH SERVICES, INC.  
RIDGELAND, SOUTH CAROLINA

FOR THE YEAR ENDED  
MAY 31, 2019

BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.  
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Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.  
Ridgeland, South Carolina**Report on the Financial Statements**

We have audited the accompanying statement of financial position of Beaufort-Jasper-Hampton Comprehensive Health Services, Inc. (the Organization), as of May 31, 2019 and the related statements of operations, change in net assets, functional expenses and cash flows for the year 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.

**Auditors' Responsibility**

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 audit 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 the entity'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 the entity'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 Beaufort-Jasper-Hampton Comprehensive Health Services, Inc. as of May 31, 2019, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying the Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2020 on our consideration of Beaufort-Jasper-Hampton Comprehensive Health Service Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Beaufort-Jasper-Hampton Comprehensive Health Service's internal control over financial reporting and compliance.

*Petway Mills & Pearson, PA*

PETWAY MILLS & PEARSON, PA  
Certified Public Accountants  
Zebulon, North Carolina

February 18, 2020

## **FINANCIAL STATEMENTS**

**BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**MAY 31, 2019**

ASSETS

Current Assets:

Cash and cash equivalents	\$ 1,257,925
Restricted cash and cash equivalents	79,583
Patient receivables, net of allowance for bad debts of \$3,415,153	3,542,333
Grants receivables	451,087
Other receivables	215,832
Inventory	281,216
Prepaid Insurance	9,376
Total current assets	5,837,352

Property Plant and Equipment at Cost, Net:

14,960,844

Other Assets:

Deposits	4,430
Investments	122,011
Total other assets	126,441
Total assets	\$ 20,924,637

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 318,772
Accrued expenses	25,613
Accrued payroll	507,702
Accrued vacation	454,150
Current portion, long-term debt	226,420
Total current liabilities	1,532,657

Long-term debt, less current portion

2,523,383

Total liabilities

4,056,040

Net Assets:

Without donor restrictions	
Undesignated	4,577,973
Invested in property and equipment, net of related debt	12,211,041
With donor restrictions	
Purpose restrictions	79,583
Total net assets	16,868,597
Total liabilities and net assets	\$ 20,924,637

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

**BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MAY 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Patient service revenues	\$ 17,990,319	\$ -	\$ 17,990,319
Allowances and discounts	(3,900,196)	-	(3,900,196)
Sliding fee discount	(3,009,113)	-	(3,009,113)
Bad debts	(276,867)	-	(276,867)
Net patient revenues	<u>10,804,143</u>	<u>-</u>	<u>10,804,143</u>
Governmental grants	-	9,772,675	9,772,675
State appropriatons	139,390	-	139,390
Other grants	1,971,177	79,583	2,050,760
Miscellaneous revenue	479,858	-	479,858
	<u>2,590,425</u>	<u>9,852,258</u>	<u>12,442,683</u>
Total support and revenue	13,394,568	9,852,258	23,228,985
Net assets released from restrictions	<u>9,852,258</u>	<u>(9,852,258)</u>	<u>-</u>
Total revenue and other support	<u>23,246,826</u>	<u>-</u>	<u>23,228,985</u>
Expenses			
Program expenses	15,805,566	-	15,805,566
Management and general	6,145,991	-	6,145,991
Total expenses	<u>21,951,557</u>	<u>-</u>	<u>21,951,557</u>
Unrealized Loss	<u>(17,841)</u>	<u>-</u>	<u>(17,841)</u>
Change in net assets	1,277,428	-	1,277,428
Net assets, beginning of year	15,511,586	79,583	15,591,169
Net assets, end of year	<u>\$ 16,789,014</u>	<u>\$ 79,583</u>	<u>\$ 16,868,597</u>

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

**BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED MAY 31, 2019**

	<u>Program Expenses</u>	<u>Management &amp; General</u>	<u>Totals</u>
Expenses:			
Salaries	\$ 8,649,136	\$ 3,885,843	\$ 12,534,979
Fringe benefits	1,147,954	515,748	1,663,702
Retirement	18,251	8,199	26,450
Patient care	1,198,579	-	1,198,579
Contracted services	442,324	43,746	486,070
Travel	159,815	3,262	163,077
Medical supplies and drugs	1,630,928	181,214	1,812,142
Consulting	584,233	539,292	1,123,525
Occupancy	38,902	86,589	125,491
Insurance	177,981	47,312	225,293
Telephone	338,522	152,089	490,611
Utilities	125,266	56,279	181,545
Depreciation	496,433	223,035	719,468
Interest	73,195	32,885	106,080
Advertising	-	163,605	163,605
Subrecipient expenses	104,664	-	104,664
Licenses, fees, dues, subscriptions	389,094	103,430	492,524
Postage and printing	113,685	51,076	164,761
Non-capital equipment	50,081	22,500	72,581
Other	66,523	29,887	96,410
	<u>\$ 15,805,566</u>	<u>\$ 6,145,991</u>	<u>\$ 21,951,557</u>
Total Expenses	<u>\$ 15,805,566</u>	<u>\$ 6,145,991</u>	<u>\$ 21,951,557</u>

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



**BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MAY 31, 2019**

Cash flows from operating activities:	
Change in net assets	\$ 1,277,428
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	719,468
Bad Debt	276,867
Unrealized loss on investments	17,841
(Increase) decrease in:	
Grants, patient, and other receivables	(2,823,817)
Inventory	(154,107)
Prepays	(9,376)
Increase (decrease) in:	
Accounts payable and accrued expenses	140,901
Deferred revenue	(79,583)
Net cash used by operating activities	<u>(634,378)</u>
 Cash flows from financing activities:	
Proceeds from sale of fixed assets	-
Purchases of equipment	<u>(1,094,588)</u>
Net cash used by financing activities	<u>(1,094,588)</u>
 Cash flows from investing activities:	
Proceeds from long-term debt	666,650
Payments on long-term debt obligations	<u>(117,116)</u>
Net cash provided by investing activities	<u>549,534</u>
 Net increase (decrease) in cash	(1,179,432)
 Cash at Beginning of Year	<u>2,516,940</u>
 Cash at End of Year	<u><u>\$ 1,337,508</u></u>
 Supplemental disclosure of cash flow information:	
Cash paid during the year for:	
Interest	<u><u>\$ 106,080</u></u>
Schedule of Cash	
Cash	\$ 1,257,925
Restricted cash	79,583
	<u><u>\$ 1,337,508</u></u>

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

**BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**Note 1 – Summary of Significant Accounting Policies**

**Nature of Activities:**

Beaufort-Jasper-Hampton Comprehensive Health Services, Inc. (the Organization) is a comprehensive ambulatory family health care provider. The Organization provides comprehensive health care to residents of Beaufort, South Carolina and the surrounding areas of Beaufort, Hampton and Jasper Counties.

The Organization, incorporated in 1969, has been funded annually with a grant from the Department of Health and Human Services, Health Resources, and Service Administration. The grant period in effect at June 1, 2018 runs through May 31, 2019. Revenues under this grant accounted for 36% of total revenues for the year ended May 31, 2019.

**Basis of Accounting:**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Net Assets:**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources was restricted has been fulfilled, or both.

**Use of Estimates:**

The preparation of financial statements 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. Changes in estimates are recognized in the period in which they are determined.

**Cash and Cash Equivalents:**

Cash and cash equivalents include all highly liquid debt instruments and time deposits, other than those limited as to use for other than operating purposes, with an acquisition maturity of less than three months.

**Patient Receivables:**

Patient receivables are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered. The Organization accrues a set amount monthly for the allowance for doubtful accounts for each of its major payer sources of revenue, and reviews the

**BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

allowance account for appropriateness at least annually. For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients, the Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicated that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. Any balances that are greater than 120 days old are considered uncollectible and are written off against the allowance account unless the patient is on a payment plan. Recoveries of patient receivables previously written off are recorded when received. Interest is not charged on patient receivables.

The Organization's allowance for doubtful accounts was 49% of accounts receivable at May 31, 2019 and 70% of accounts receivable at May 31, 2018. The Organization's bad debt expense for fiscal year 2019 is \$276,867.

Services provided to Medicare and Medicaid patients are paid based on claims filed and paid on an interim basis and settled after the filing and audit of annual cost reports, with such estimated cost report settlements receivable and/or payable being reported separately from patient receivables and referred to as "estimated third-party payer settlements".

The Medicare program pays the Organization a per visit payment under its new prospective payment system (PPS) adjusted by a geographic adjustment per encounter since July 1, 2015. The revised Medicare FQHC cost report will be used to determine the influenza, pneumococcal vaccines and their administration costs, allowable graduate medical education costs and Medicare bad debts during the 2018 fiscal year. Medicare services accounted for approximately 45% of net patient fees during the year ended May 31, 2019.

The South Carolina Medicaid program pays the Organization a per visit payment under its prospective payment system (PPS) and an adjusted cost amount for eligible non-core services. The Organization's initial (baseline) PPS rate, using 100% of the average reasonable costs incurred by the Organization during fiscal years 1999 and 2000, is adjusted for inflation and to reflect any increase or decrease in the scope of services furnished by the Organization. Medicaid services accounted for approximately 34% of net patient fees during the year ended May 31, 2019.

Medicaid cost report settlements are recognized on an estimated basis in the period the related services are rendered. Subsequent changes in such estimates or other adjustment(s) by intermediaries are recorded in the period when determined. During the year ended May 31, 2019, the Organization did not receive any revenues for settlements for the Medicaid cost reports related to fiscal years through 2018.

**Discounted Fees and Charity Care:**

The Organization has a policy of discounting fees or providing charity care to patients who are unable to pay. Such patients are identified based on financial information obtained from the patient and subsequent analysis.

The estimated cost of charity care totaled approximately \$9,492,083 for the year ended May 31, 2019. The cost of charity care is estimated utilizing a ratio of cost to gross charges applied to the gross uncompensated charges associated with providing charity care. Funds received from gifts and grants to subsidize charity services provided for the year ended May 31, 2019, were approximately \$8,363,674.

The total sliding fee scale write offs during the year ended May 31, 2019 were \$3,009,113.

**BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Inventory:**

Inventory is stated at the lower of cost or market value and consists of drugs purchased under the Organization's Section 340B Drug Pricing Program. Donated inventories are stated at fair market value at date of donation.

**Fixed Assets:**

Property and equipment are stated at cost less accumulated depreciation. Interest expense associated with financing for construction is capitalized as a component of the asset constructed. Donated assets are capitalized at their fair value on the date received. It is the policy of the Organization to capitalize all capital assets costing more than \$5,000. Improvements are capitalized and depreciated over the remaining useful lives of the related asset. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is provided on a straight-line method over the estimated useful lives of the depreciable asset generally as follows:

Buildings and improvements	16 years to 40 years
Equipment and furnishings	3 years to 7 years

Amortization expense on leased assets under capital leases is included as a component of depreciation expense and is provided on a straight-line method over the shorter of the estimated useful lives of the assets or the lease term. Depreciation expense for year ended May 31, 2019 was \$719,468.

Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value.

Certain assets were purchased using grant funding from the federal government. According to the terms of grant agreements, the federal government has a residual interest in these assets.

**Revenue Recognition:**

The Organization generally considers government grants to be exchange transactions. The main government grant provides general operating assistance to the Organization over a grant period currently spanning June 1 to May 31 each year. The Organization's policy has been to recognize this operating assistance revenue on a level-term basis based upon an approved grant budget over the grant period, with deferred draw-downs from the grantor based on program needs being recognized as revenue or accounts receivable, respectively. Government grants for specific operating or capital purposes are recognized as revenue as the related specific costs are incurred.

Revenue from the provision of health care services to patients is recognized, net of allowances, as the services are provided. Allowances are made for differences between the Organization's established rates and the amounts expected to be paid by government payers (contractual adjustments) and patients under sliding fee schedules based on the patient's ability to pay and federal poverty guidelines (services provided to these patients were discounted approximately \$3,900,196 compared to the Organization's established rates during the year ended May 31, 2019). Amounts expected to be collected and not able to be collected are recognized as bad debt expenses based on historical experience, current trends and current analyses of accounts. Patient service revenue, net of contractual allowances and discounts but before the provision for bad debts recognized for the year ended May 31, 2019 were \$11,081,010.

**BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Contributions:**

Unconditional contributions are recognized in the period received. Gifts of cash and other assets are presented as with donor restrictions support if they are received with specific donor stipulations that limit the use of the donated asset. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restrictions net assets are reclassified to without donor restrictions net assets and reported in the statements of operations and change in net assets as net assets released from restrictions. If the donor restriction is satisfied during the fiscal year in which it is received, then it is recorded as without donor restrictions. Conditional contributions are not recognized until such conditions are considered probable of being met.

Gifts of tangible assets are presented as without donor restrictions support unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as with donor restrictions support.

No amounts have been reflected in the financial statements for contributed services inasmuch as no services that created or enhanced non-financial assets were received or specialized skills provided that typically would need to be purchased if not provided by donation.

The Organization dispenses consigned medicine on behalf of pharmaceutical manufacturers for the benefit of specific patients determined to be qualified based on criteria set by the manufacturers, at no charge to patients. The medicine is owned by the manufacturers and excluded from the Organization's inventory.

**Operating Revenue, Gains and Other Support in Excess of Expenses:**

The statements of operation include, when applicable, a subtotal to indicate operating performance. Changes in without donor restrictions net assets which are excluded from the operations subtotal, consistent with industry practices, include contributions of long-lived assets (including contributions with donor restrictions by the donor for this purpose), if any.

**Other Revenue:**

Other revenue consists primarily of funds received from participating in various health center program services and activities.

**Advertising:**

Advertising costs, consisting primarily of advertisement of employment opportunities and services offered by the Beaufort-Jasper-Hampton Comprehensive Health Services, Inc. are expensed as incurred. Advertising expense for the year ended May 31, 2019 was \$163,605.

**Income Taxes:**

Beaufort-Jasper-Hampton Comprehensive Health Services, Inc. is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for 2019. The Organization recognizes an uncertainty tax position of "more than likely not" level of fifty percent that the position will be sustained by the Internal Revenue Service (IRS). Income taxes did not have a material impact on the financial position or

**BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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results of operations of the Organization as of and for the year ended May 31, 2019. Income tax returns from 2017 through 2019 are open for examination by taxing authorities.

**Change in Accounting Principle:**

On August 18, 2019, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14.

**Subsequent events:**

The Organization has evaluated subsequent events from the date of the statements of financial position through the date the report is available to be issued, which is the date of the independent auditors' report. The Organization has not evaluated subsequent events after that date. There was one subsequent event that required disclosure. On August 23, 2019, the Organization entered into a debt agreement for \$365,000 with South Atlantic Bank for the purchase of land. The debt agreement has an annual interest rate of 4.490% and calls for 59 monthly payments of \$2,320.26 and a final payment of all unpaid principal and interest on August 23, 2024. Future maturities are as follows:

	Principal	Interest	Total
For the year ended May 31, 2020	\$ 9,708	\$ 13,495	\$ 23,203
For the year ended May 31, 2021	12,138	15,705	27,843
For the year ended May 31, 2022	12,695	15,148	27,843
For the year ended May 31, 2023	13,277	14,567	27,844
For the year ended May 31, 2024	13,885	13,958	27,843
Thereafter	303,297	3,391	306,688
<b>Total</b>	<u>\$ 365,000</u>	<u>\$ 76,264</u>	<u>\$ 441,264</u>

**Note 2 – Liquidity and Availability:**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprising of the following:

Unrestricted cash	\$ 1,257,925
Accounts receivable - patient	3,542,333
AFS Investments	<u>96,986</u>
	<u>\$4,897,244</u>

**Note 3 – Pension Plans:**

In June 2008, the Organization established a profit sharing plan, a noncontributory defined contribution plan covering substantially all employees of the Organization who are at least 18 years of age and have completed one year of service. The Organization's contributions to the plan are discretionary. From inception of the plan, no contributions have been made.

**BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 4 – Accounts Receivable:**

At May 31, 2019, the net amount of accounts receivable is computed as follows:

	Amount	Payor Mix
Medicaid	\$1,814,765	26%
Medicare	2,978,108	43%
Private insurance and other governmental	816,450	12%
Self-pay	956,876	14%
Other	391,287	6%
	6,957,486	
Accounts receivable, gross		
Less allowance for bad debts and contractual adjustments	3,415,153	
Accounts receivable, net	\$3,542,333	

Gross Accounts Receivable were aged as follows:

Total	Current	Over 30	Over 60	Over 90	Over 120
\$ 6,957,486	\$ 103,051	\$ 609,898	\$ 550,413	\$ 584,308	\$ 5,109,816

**Note 5 – Investments:**

Investments are reported at fair value in the accompanying Statement of Financial Position. The following discussion describes the valuation methodologies used for assets measured at fair value on a recurring basis. The techniques utilized in estimating the fair values of financial instruments are reliant on the assumptions used. Care should be exercised in deriving conclusions based on the fair value of financial instruments presented below.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial instrument. Such estimates do not consider the tax impact of the realization of unrealized gains or losses. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial instrument.

FASB ASC 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

**BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.**  
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*Level 1 Fair Value Measurements*

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

*Level 2 Fair Value Measurements*

Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3 Fair Value Measurements*

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The table below segregates all financial assets and liabilities as of May 31, 2019 that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date.

Description	Assets at Fair Value as of May 31, 2019			
	Level 1	Level 2	Level 3	Total
Mutual Fund:				
Balance	\$ 97,011	\$ -	\$ 25,000	\$ 122,011

**Note 6 – Line of Credit:**

During 2015, the Organization obtained a \$500,000 unsecured line of credit with BB&T Bank. The agreement states that amounts outstanding on the line bear interest at the prime rate plus 1% not to exceed 8% or fall below 4%. Interest is payable monthly and the total principal was paid during 2016. At May 31, 2019, the Organization had no outstanding borrowing related to this line of credit.



**BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**Note 7 – Property and Equipment:**

As of May 31, 2019, fixed assets consist of:

	5/31/2018			5/31/2019
	Balances	Increases	Decreases	Balances
Property and equipment not being depreciated:				
Land	\$ 581,506	\$ -	\$ -	\$ 581,506
Project in progress	778,992	-	-	778,992
Total property and equipment not being depreciated	<u>1,360,498</u>	-	-	<u>1,360,498</u>
Property and equipment being depreciated:				
Building/Equipment	14,959,715	3,100	-	14,962,815
Office Furniture	3,756,737	267,897	-	4,024,634
Vehicles	856,157	127,144	-	983,301
Medical Equipment	2,272,022	666,650	-	2,938,672
Other Equipment	57,556	2,297	-	59,853
Equipment: Capital Leases	204,168	-	-	204,168
Building Improvement	4,597,981	27,500	-	4,625,481
Leasehold Improvement	120,670	-	-	120,670
Client List	30,000	-	-	30,000
Total property and equipment being depreciated	<u>26,855,006</u>	<u>1,094,588</u>	-	<u>27,949,594</u>
Less accumulated depreciation for:				
Building/Equipment	4,914,419	379,267	-	5,293,686
Office Furniture	3,275,004	60,229	-	3,335,233
Vehicles	381,063	100,357	-	481,420
Medical Equipment	2,135,090	35,542	-	2,170,632
Other Equipment	58,888	866	-	59,754
Equipment: Capital Leases	204,168	-	-	204,168
Building Improvement	2,549,866	127,247	-	2,677,113
Leasehold Improvement	81,282	15,960	-	97,242
Client List	30,000	-	-	30,000
Total accumulated depreciation	<u>13,629,780</u>	<u>\$ 719,468</u>	\$ -	<u>14,349,248</u>
Total property and equipment being depreciated, net	<u>13,225,226</u>			<u>13,600,346</u>
Property and equipment, net	<u>\$ 14,585,724</u>			<u>\$ 14,960,844</u>

Depreciation expense for the year ended May 31, 2019 was \$719,468.

**BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**Note 8 – Long-term Debt:**

Long term debt consists of the following at May 31, 2019:

\$1,515,200 note payable to BB&T; interest rate of 5.25%; monthly payments of \$9,165 maturing on May 5, 2023; secured by Ridgeland facility	\$ 1,191,631
\$1,000,000 note payable to BB&T; interest rate of 4.99%; monthly payments of \$6,646 maturing May 5, 2019; secured by Ridgeland facility	814,468
\$666,650 note payable to BB&T; interest rate of 4.75%; monthly payments of \$7,013 maturing May 6, 2026; secured by Ridgeland facility	666,650
\$132,055 note payable to Toyota Financial; interest rate of .9%; monthly payments of \$2,252 maturing on March 24, 2021; secured by seven 2016 Toyota Corollas	52,687
\$105,022 note payable to Ford Credit; interest rate of 4.39%; monthly payments of \$2,577; maturing on March 21, 2019; secured by various Ford vehicles	24,367
	2,749,803
Less: current portion	226,420
Long term debt, less current portion	\$ 2,523,383

Future maturities on long-term debt are as follows:

Years Ended:	
May 31, 2020	\$ 226,420
May 31, 2021	167,484
May 31, 2022	154,799
May 31, 2023	1,125,562
May 31, 2024	111,475
Thereafter	964,063
	\$ 2,749,803

Interest expense was \$106,080 for the year ended May 31, 2019.

**Note 9 – Inventory:**

As of May 31, 2019 pharmacy inventory totaled \$281,216.

**Note 10 – Vacation Payable:**

An accrual for vacation payable in the amount of \$454,150 has been made for the year ended May 31, 2019.

**BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**Note 11 – Payroll Payable:**

An accrual for payroll payable in the amount of \$507,702 has been made for the year ended May 31, 2019.

**Note 12 – Functional Allocation of Expenses:**

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

**Note 13 – Summary Disclosure of Significant Contingencies/Commitments:**

The Organization has received proceeds from various grants. Periodic audits of these grants are required and certain costs may be questioned as not being allowable expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

The Organization also receives revenue from Medicare and Medicaid programs. Laws and regulations governing these programs are complex and subject to interpretation. The Organization's management believes they are in compliance with all applicable laws and regulations and they are not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory actions, including fines, penalties and exclusion from the Medicare and Medicaid programs.

**Note 14 – Malpractice Liability Coverage:**

The Bureau of Primary Health Care has deemed the Organization to be an employee of the Federal Government, effective September 1, 2002, for the purposes of professional liability protection under the Federal Tort Claims Act (FTCA). FTCA coverage is comparable to an "occurrence" policy without a monetary cap. The Organization purchased insurance protection from commercial entities for periods prior to September 1, 2002.

**Note 15 – Concentration of Credit Risk**

Beaufort-Jasper-Hampton Comprehensive Health Services, Inc. maintains its cash balances in five financial institutions located in South Carolina. From time to time, the balances may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC). At May 31, 2019, the Organization's cash balance for BB&T exceed the FDIC limit by \$821,632.

**Note 16 – Contractual Agreements:**

Beaufort-Jasper-Hampton Comprehensive Health Services, Inc. has entered into various agreements to obtain varying medical and consulting services with medical and other providers. These agreements expire on various dates.

**BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**Note 17 – Risk Management:**

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During the year ended May 31, 2019, the Organization carried insurance through various commercial carriers to cover all risks of losses. The Organization has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

**Note 18 – Net Assets Released from Restrictions**

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes of the donor as follows:

	2019
Provision of Health Services	<u>\$ 9,852,258</u>
	<u>\$ 9,852,258</u>

**Note 19 – Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods

	2019
Health Services	<u>\$ 79,583</u>
	<u>\$ 79,583</u>

**Note 20 – Restricted Cash**

As of May 31, 2019, the Organization's restricted cash consists of:

	2019
Cash restricted for donor imposed purposes	<u>\$ 79,583</u>
	<u>\$ 79,583</u>

COMPLIANCE SECTION



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

PETWAY  
MILLS &  
PEARSON, PA

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.  
Ridgeland, South Carolina

C. Briggs Petway, Jr.  
Phyllis M. Pearson

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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 financial statements of Beaufort-Jasper-Hampton Comprehensive Health Services, Inc. (the Organization), which comprise the statement of financial position as of May 31, 2019, and the related statements of operations, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 18, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the entity'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 material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'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*.

*Memberships:*

North Carolina  
Association of  
Certified Public  
Accountants

American Institute  
of Certified Public  
Accountants

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Petway Mills & Pearson, PA*

PETWAY MILLS & PEARSON, PA  
Certified Public Accountants  
Zebulon, North Carolina

February 18, 2020

**PETWAY**  
**MILLS &**  
**PEARSON, PA**

*CERTIFIED PUBLIC ACCOUNTANTS*

C. Briggs Petway, Jr.  
Phyllis M. Pearson

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To the Board of Directors  
Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.  
Ridgeland, South Carolina

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

We have audited Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'s major federal programs for the year ended May 31, 2019. Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'s compliance.

**Opinion on Each Major Federal Program**

In our opinion, Beaufort-Jasper-Hampton Comprehensive Health Services, Inc. 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 programs for the year ended May 31, 2019.



## Report on Internal Control Over Compliance

Management of Beaufort-Jasper-Hampton Comprehensive Health Services, Inc. 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 Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or 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 significant deficiencies or material weaknesses. 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Petway Mills & Pearson, PA*

PETWAY MILLS & PEARSON, PA  
Certified Public Accountants  
Zebulon, North Carolina

February 18, 2020

**BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MAY 31, 2019**

**SECTION I -- SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: Unmodified.

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	_____ <u>x</u> no
Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	_____ <u>x</u> none reported
Noncompliance material to financial statements noted?	_____ yes	_____ <u>x</u> no

**SECTION II -- FEDERAL AWARDS**

Financial Statements

Type of auditors' report issued on compliance for major federal program: Unmodified.

Internal control over major federal programs:

Material weakness(es) identified?	_____ yes	_____ <u>x</u> no
Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	_____ <u>x</u> no
Noncompliance material to financial statements noted?	_____ yes	_____ <u>x</u> no
Any findings disclosed that are required to be reported in accordance with Uniform Guidance	_____ yes	_____ <u>x</u> no

Identification of major federal programs

CFDA Numbers  
93.224  
93.917

Names of Federal Program or Cluster  
Consolidated Health Centers  
Ryan White CARE Act Title II

Dollar threshold used to distinguish between Type A and Type B Programs

\$ 750,000

Auditee qualified as low-risk?

\_\_\_\_\_ x yes \_\_\_\_\_ no

**BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MAY 31, 2019**

**SECTION I. -- FINANCIAL STATEMENT FINDINGS**

None reported.

**SECTION II. -- FEDERAL AWARD FINDINGS**

None reported.

**BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED MAY 31, 2019**

**SECTION I. -- FINANCIAL STATEMENT FINDINGS**

None reported.

**SECTION II. -- FEDERAL AWARD FINDINGS**

None reported.

**BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED MAY 31, 2019**

There were no reported findings or questioned costs as a result of the audit for the fiscal year ended May 31, 2018.

**BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED MAY 31, 2019**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	AGENCY OR PASS- THROUGH NUMBER	EXPENDITURES
<b>Direct Programs:</b>			
<b>U.S. Department of Health and Human Services:</b>			
Health Center Cluster:			
Consolidated Health Centers	93.224	H80CS00699	\$ 8,363,674
Total Health Center Cluster:			<u>8,363,674</u>
Outpatient Early Intervention Services with Respect to HIV Disease (Ryan White HIV/AIDS Program Part C)	93.918	H76HA00206	431,373
<b>Total U.S. Department of Health and Human Services:</b>			<u>8,795,047</u>
<b>Federal Passed Through State Agencies:</b>			
<b>U.S. Department of Health and Human Services:</b>			
Passed through S.C. Department of Health and Environmental Control Ryan White CARE Act Title II (Ryan White HIV/AIDS Program Part B)	93.917	X07HA00038	590,598
Passed through Eau Clair Cooperative Health Center Coordinated Services and Access to Research for Women, Infants, Children, and Youth (Ryan White Program Part D )	93.153		137,386
<b>Total U.S. Department of Health and Human Services:</b>			<u>727,984</u>
<b>U.S. Department of Agriculture</b>			
Passed through S.C. Department of Health and Environmental Control Special Supplemental Nutrition Program for Women, Infants and Children	10.557	WC-1121	225,220
<b>Total U.S. Department of Agriculture</b>			<u>225,220</u>
<b>U.S. Department of Housing and Urban Development</b>			
Passed through S.C. Department of Health and Environmental Control Housing Opportunities for Persons with AIDS	14.241		24,424
<b>Total U.S. Department of Housing and Urban Development</b>			<u>24,424</u>
<b>Total Federal Awards</b>			<u>\$ 9,772,675</u>

The accompanying notes are an integral part of this schedule.

**BEAUFORT-JASPER-HAMPTON COMPREHENSIVE HEALTH SERVICES, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED MAY 31, 2019**

Note to the Schedule of Expenditures of Federal Awards:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Beaufort-Jasper-Hampton Comprehensive Health Services, Inc. under programs of the federal government for the year ended May 31, 2019. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of Beaufort-Jasper-Hampton Comprehensive Health Services, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Beaufort-Jasper-Hampton Comprehensive Health Services, Inc.

Indirect Costs:

The Organization has not elected to charge a 10% de minimis indirect cost rate to its grants and has not elected to obtain a federal indirect cost rate.

Summary of Significant Accounting Policies

Expenditures reported in the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting.

Subrecipients

The Organization provides Federal awards to sub-recipients as follows:

**Program Title:** Migrant Health Centers  
**Federal CFDA number:** 93.224  
**Amount:** \$104,664

The accompanying notes are an integral part of this schedule.