VOLUNTEER STAFFING, INC.

FINANCIAL STATEMENTS

Year Ended May 31, 2012

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Year Ended May 31, 2012

INDEPENDENT AUDITOR'S REPORT

To the Officers and Directors of
Volunteer Staffing, Inc.
P.O. Box 844
Jamestown, Tennessee 38556

We have audited the accompanying balance sheet of Volunteer Staffing, Inc. as of May 31, 2012, and the related statements of income, stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the management of Volunteer Staffing, Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Volunteer Staffing, Inc. as of May 31, 2012, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2013, on our consideration of the Company'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Barto, Hoss & Company, P.C.

July 31, 2013

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VOLUNTEER STAFFING, INC.
BALANCE SHEET
May 31, 2012

ASSETS

Current Assets	
Cash and cash equivalents	$ 98,077
Accounts receivable, net	2,774,569
Accounts receivable - other	2,145
Prepaid expenses	16,984
Deferred tax asset	232,259
Total Current Assets	3,124,034
Property and Equipment	
Autos and trucks	167,782
Furniture and fixtures	305,644
Leasehold improvements	271,386
	744,812
Less accumulated depreciation	(389,573)
Total Property and Equipment	355,239
Other Assets	
Deposits	11,822
Due from related parties, net	1,174,903
Total Other Assets	1,186,725
Total Assets	$ 4,665,998

The accompanying notes are an integral part of these statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	
Current maturities of long-term debt	$ 15,638
Line of credit	1
Accounts payable	244,738
Accrued expenses	1,022,204
Accrued interest and penalties	44,529
Income taxes payable	277,355
Total Current Liabilities	1,604,465
Long-Term Liabilities	
Deferred taxes payable	63,605
Loans payable, net of current portion	7,819
Total Long-Term Liabilities	71,424
Total Liabilities	1,675,889
Stockholders' Equity	
Capital stock, no par value; 200 shares authorized, issued and outstanding	10,000
Retained earnings	2,980,109
Total Stockholders' Equity	2,990,109
Total Liabilities and Stockholders' Equity	$ 4,665,998

The accompanying notes are an integral part of these statements.

VOLUNTEER STAFFING, INC.
STATEMENT OF INCOME
Year Ended May 31, 2012

Revenues	
Quality Private Duty revenue, net	$19,406,688
Access Program revenue, net	3,907,581
Total Operating Revenues	23,314,269
Operating Expenses	
Salaries and wages	16,240,979
Payroll and other taxes	1,673,869
Employee benefits	1,870,586
Management fees	130,000
Contract labor	48,853
Professional services and fees	236,875
Rent	428,979
Insurance	378,596
Office expense	176,850
Medical supplies	150,574
Auto expenses	545,818
Repairs and maintenance	27,609
Advertising	66,334
Reimbursed expenses - related parties	52,560
Telephone	75,754
Utilities	32,945
Depreciation	77,607
Bad debts	274,106
Contributions	5,700
Continuing education	3,746
Postage and shipping	11,803
Travel and entertainment	14,806
Fines and penalties	57,787
Miscellaneous expenses	7,733
Total Operating Expenses	22,590,469
Net Operating Income	723,800
Nonoperating Income (Expense)	
Other income	56,308
Gain (loss) on disposal of fixed assets	8,492
Interest expense	(27,354)
Total Nonoperating Income (Expense)	37,446
Income Before Provision for Income Taxes	761,246
Provision for Income Tax Expense	261,981
Net Income	$ 499,265

The accompanying notes are an integral part of these statements.

VOLUNTEER STAFFING, INC.
STATEMENT OF STOCKHOLDERS' EQUITY
Year Ended May 31, 2012

	Common Stock	Retained Earnings	Total
Balance June 1, 2011	$ 10,000	$ 2,480,844	$ 2,490,844
Net Income	-	499,265	499,265
Dividends	-	-	-
Balance May 31, 2012	$ 10,000	$ 2,980,109	$ 2,990,109

The accompanying notes are an integral part of these statements.

VOLUNTEER STAFFING, INC.
STATEMENT OF CASH FLOWS
Year Ended May 31, 2012

Cash Flows From Operating Activities:	
Net income (loss)	$ 499,265
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	77,607
Bad debts	274,106
(Gain) loss on disposal of fixed assets	(8,492)
Deferred income taxes	(8,519)
(Increase) decrease in accounts receivable	(1,270,942)
(Increase) decrease in other receivables	29,300
(Increase) decrease in prepaid expenses	(16,984)
(Increase) decrease in deposits	(3,251)
Increase (decrease) in accounts payable	165,861
Increase (decrease) in accrued expenses	158,889
Increase (decrease) in accrued interest and penalties	44,529
Increase (decrease) in accrued corporate income taxes	(99,285)
Net Cash Provided by (Used in) Operating Activities	(157,916)
Cash Flows From Investing Activities:	
Proceeds from disposal of fixed assets	10,207
Purchases of property and equipment	(33,266)
Net Cash Provided by (Used in) Investing Activities	(23,059)
Cash Flows From Financing Activities:	
Due from related parties	(35,161)
Payments on long-term debt	(25,385)
Net Cash Provided by (Used in) Financing Activities	(60,546)
Net Increase (Decrease) in Cash and Cash Equivalents	(241,521)
Cash and Cash Equivalents at Beginning of Year	339,598
Cash and Cash Equivalents at End of Year	$ 98,077
Supplemental Disclosures of Cash Flow Information:	
Cash paid during the year for:	
Interest	$ 12,284
Income taxes	$ 378,173

The accompanying notes are an integral part of these statements.

Note 1. Nature of Operations and Summary of Significant Accounting Policies

This summary of significant accounting policies of Volunteer Staffing, Inc. (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who are responsible for their integrity and objectivity. These accounting policies conform to U. S. generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Business Activity The Company was incorporated in Knox County, Tennessee on July 7, 1994, primarily servicing East and Middle Tennessee. The Company provides fee for service home health care and support services to two State of Tennessee licensed providers, accounting for 83% of their operating revenue. The Access Program of the Company provides community based day services and supported living services through a Tennessee state-funded contract with the Department of Intellectual and Developmental Disabilities (DIDD), formerly known as the Division of Intellectual Disabilities Services (DIDS), accounting for 17% of their operating revenue.

Cash and Cash Equivalents For the purpose of the statement of cash flows, the Company considers cash on hand and cash in checking and savings accounts to be cash and cash equivalents.

Accounts Receivable Accounts receivable are reported net of allowances for doubtful accounts and for contractual adjustments. The allowance for doubtful accounts is based on historical performance and projections of previous collection trends. Service charges are not recorded on accounts that become delinquent. Accounts are written-off as a bad debt once normal collection efforts are exhausted. The contractual adjustment account represents the difference between established billing rates and estimated reimbursements from Medicare, TennCare, and other third-party payment programs paid to the two licensed providers for whom services are rendered.

Revenue Recognition Revenue is reported at the estimated net realizable amount from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Revenues are recognized on the date services are provided to patients and are recorded at amounts expected to be received under reimbursement arrangements under contract with the state of Tennessee DIDD program and from third-party licensed providers based on their estimated reimbursement from Medicare, TennCare, and other third-party payment programs. Patient service revenue is net of contractual and retroactive adjustments of approximately $ 689,435 for the year ended May 31, 2012. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Quality private duty revenue from third-party licensed providers whose patients' primary coverage is under TennCare programs accounted for approximately 96% of net quality private duty care revenues during the year ended May 31, 2012.

Due to the nature of the industry and the reimbursement environment, certain estimates are required to record net revenues and accounts receivable at their net realizable values. Inherent in these estimates is the risk that they will have to be revised or updated as additional information becomes available. As a result, it is possible that management's estimates could change in the near term, which could have an impact on operations and cash flows. Such adjustments are typically identified and recorded at the point of each application, claim denial, or account review.

Note 1. Summary of Significant Accounting Policies (Continued)

Property and Equipment Autos, furniture and fixtures, and leasehold improvements are stated at cost. Depreciation is computed using accelerated and straight-line methods over the estimated useful lives of the various classes of assets which range from three to thirty-nine years.

Expenditures for maintenance and repairs are expended when incurred. Expenditures for renewals or betterments are capitalized. When property and equipment is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in operations.

Advertising Costs The Company recognizes expense for advertising costs as incurred. Advertising expense totaled $ 66,334 for the year ended May 31, 2012.

Accrued Compensated Absences Employees of the Company are entitled to paid days off based upon the length of service. The estimated liability for accumulated paid days off was $ 396,580, which is included in accrued expenses at May 31, 2012. Any amounts owed to employees are paid upon termination.

Income taxes Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the financial and tax basis of property and equipment, allowance accounts, and accrued compensated absences. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the related assets and liabilities are recovered.

The Company has adopted the provisions of FASB ASC 740-10 which clarifies the accounting for uncertainty in income taxes. An uncertain tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Company has no material uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

As of May 31, 2012, the Company has accrued no interest and no penalties related to uncertain tax positions. It is the Company's policy to recognize interest and/or penalties related to income tax matters in interest expense and fines and penalties, respectively. Interest expense and fines and penalties for the year ended May 31, 2012 relating to underpayment of estimated tax payments for the tax years 2010, 2011, and 2012, was $ 22,684 and $ 57,787, respectively.

The Company files U.S. Federal and State of Tennessee income tax returns. The Company is currently open to audit under the statute of limitations for the years ended May 31, 2009 through 2013.

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.

Date of Management's Review The Company has evaluated events and transactions that occurred between May 31, 2012 and July 31, 2013, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

Financial Instruments The carrying amount of financial instruments, consisting of cash and cash equivalents, accounts receivable, other current assets, accounts payable, accrued expenses and other current liabilities, and the current installments of long-term debt approximate their fair value due to their relatively short maturities. Long-term debt is carried at amortized cost, which approximates fair value.

New Accounting Pronouncements In July 2011, the Financial Accounting Standards Board issued accounting standards that require changes in financial statement presentation and enhance disclosures by health care entities that recognize significant amounts of patient service revenue at the time services are rendered without taking into account patient ability to pay. These standards require healthcare entities to change the presentation of their statement of income by reclassifying the provision for bad debt associated with patient services revenue (net of contractual allowances and discounts). Additionally, these entities will be required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. These standards are effective for fiscal years ending after December 15, 2012, and therefore, the Company expects to adopt these standards at the beginning of fiscal year end 2013. The Company is currently assessing the impact of adopting this accounting standard.

Note 2. Accounts Receivable

Accounts receivable consist of the following at May 31, 2012:

Access Program	$ 380,671
Quality Private Duty Care	2,578,571
	2,959,242
Less – allowance for doubtful accounts	(210,000)
Less – contractual adjustments, net of retrospective reimbursement estimates of $105,327	25,327
Accounts receivable, net	$ 2,774,569

Note 3. Property and Equipment

Property and equipment at May 31, 2012, are summarized by major classifications as follows:

	Cost	Accumulated Depreciation	Net Property and Equipment
Autos and trucks	$ 167,782	$ 140,475	$ 27,307
Furniture and fixtures	305,644	213,602	92,042
Leasehold improvements	271,386	35,496	235,890
	$ 744,812	$ 389,573	$ 355,239

Depreciation expense for the year ended May 31, 2012 was $ 77,607.

Note 4. Line of Credit

To facilitate cash management, the Company maintains a $ 250,000 unsecured bank line of credit of which $ 249,999 remained unused at May 31, 2012. The line of credit has a variable interest rate which was 5.75% at May 31, 2012, and is payable monthly. The line of credit was renewed and matures June 1, 2014.

The Company owed $ 1 under the line-of-credit agreement, at May 31, 2012.

Note 5. Long-term Liabilities

Long-term liabilities at May 31, 2012, consist of the following:

Note payable to First Volunteer Bank with monthly installments of $ 1,553, including interest at 7.00%, through December 5, 2014, secured by vehicle	$ 23,457
Less - current portion	(15,638)
Long-term liabilities	$ 7,819

Year Ending May 31,	Amount
2013	$ 15,638
2014	7,819
Total	$ 23,457

Interest expense totaled $ 27,354 for 2012 including $ 4,670 pertaining to note payable.

Note 6. Employee Benefit Plan

The Company has a defined contribution employee benefit plan (the "Plan) pursuant to Section 401(k) of the Internal Revenue Code (the "Code") whereby eligible participants may contribute a percentage of compensation, but not in excess of the maximum allowed under the Code. While the Plan provides for discretionary matching and profit sharing contributions by the Company, the Company made no contributions to the Plan for the year ended May 31, 2012.

Note 7. Operating Leases

The Company utilizes its clinical facilities, corporate office, a vehicle, and various equipment under operating leases. Rent expense under these and other month to month leases totaled $ 428,979 for the year ended May 31, 2012.

Note 7. Operating Leases (Continued)

Future minimum lease payments are as follows:

Year ending May 31,	Amount
2013	$ 264,048
2014	24,304
Total	$ 288,352

Note 8. Related Party Transactions

At May 31, 2012, amounts due to or due from related parties have been included in the financial statements as follows:

	Amount
Due from Buckeye Home Health Center, Inc.	$ 1,186,418
Due to shareholders	(11,515)
	$ 1,174,903

The amount due from Buckeye Home Health Center, Inc., includes accrued interest shown in other income at the rate of 3% per annum and totaled $ 34,538 for the year ended May 31, 2012. Due to the expectations that these due from related parties, net balances will not be collected prior to May 31, 2013, it is reflected as a long-term asset under other assets on the balance sheet.

The Company purchased medical supplies from Buckeye Home Health Center, Inc. Total purchases for the year ended May 31, 2012, were $ 140,827. Accounts payable totaled $ 18,243 at May 31, 2012. The Company also reimbursed a company owned by one of the shareholders for consulting fees. Amounts paid during the year ended May 31, 2012, totaled $ 52,560.

During the year ended May 31, 2012, the Company paid management fees totaling $ 130,000, which was for non-compete fees to related parties.

The Company leased office space from related parties. The lease term is for three years and expired May 31, 2013. The lease was subsequently renewed through May 31, 2016. Amounts paid to related parties for rent during the year ended May 31, 2012, totaled $ 192,000, which is included in rent expense.

Note 9. Healthcare Industry

The delivery of personal and health care services entails an inherent risk of liability. In the normal course of business, the Company is involved in various lawsuits, claims, and other legal matters. The Company is insured with respect to medical malpractice risk on a claims-made basis which covers each occurrence up to $ 5 million and $ 5 million in the general aggregate, with no deductible. The Company also maintains insurance for general liability, director and officer liability and property.

Note 9. Healthcare Industry (Continued)

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government, healthcare program participation requirement, reimbursement for patient services, and Medicare and Tenncare fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Company is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at the time.

Note 10. Healthcare Reform

In March 2010, Congress adopted comprehensive health care insurance legislation, the Patient Care Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the "Health Care Reform Legislation"). The Health Care Reform Legislation, among other matters, is designed to expand access to health care coverage to substantially all citizens through a combination of public program expansion and private industry health insurance. Provisions of the Health Care Reform Legislation become effective at various dates over the next several years and a number of additional steps are required to implement these requirements. Due to the complexity of the Health Care Reform Legislation, reconciliation and implementation of the legislation continues to be under consideration by lawmakers, and it is not certain as to what changes may be made in the future regarding health care policies. Changes to existing Medicaid coverage and payments are also expected to occur as a result of this legislation which may impact Tenncare. While the full impact of the Health Care Reform Legislation is not yet fully known, changes to policies regarding reimbursement, universal health and managed competition may materially impact the Company's operations.

Note 11. Income Tax Expense

Certain items of income and expense are recognized for federal and state income tax purposes in different periods from those in which such items are recognized for financial reporting purposes. These items include depreciation expense, bad debt expense and compensated absences. The Company recognizes deferred tax for these differences.

Note 11. Income Tax Expense (Continued)

Currently payable:	
Federal-regular income tax	$ 224,224
State	44,743
	268,967
Deferred income taxes	
Federal	(5,659)
State	(1,327)
	(6,986)
Income Tax Expense	$ 261,981

Components of deferred tax assets and liabilities at May 31, 2012, are as follows:

	Current	Non-Current
Deferred tax assets	$ 232,259	$ –
Deferred tax liabilities	–	63,605
	$ 232,259	$ 63,605

The deferred income tax consequences have been computed based upon the currently enacted income tax rates expected to apply as temporary differences reverse.

Barto, Hoss & Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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 Officers and Directors of
Volunteer Staffing, Inc.

We have audited the financial statements of Volunteer Staffing Inc. (the Company), as of and for the year ended May 31, 2012, and have issued our report thereon dated July 31, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Company's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

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. We consider the deficiencies described as Items 2012-1, 2011-2, 2011-3, and 2011-4 in the accompanying schedule of findings and responses to be material weaknesses.

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. We consider the deficiency described as Item 2011-1 in the accompanying schedule of findings and responses to be a significant deficiency.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as items 2012-2 and 2011-6.

The Company's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Company's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Company's Officers and Directors, and applicable governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

Barto, Hoss & Company, P.C.

July 31, 2013

VOLUNTEER STAFFING, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended May 31, 2012

Prior year audit finding 2011-5 Quality Private Duty Deposits in Transit Cut-off Procedures

Current Status

The Company has made necessary modifications to the process during the current year to identify deposits in transit.

VOLUNTEER STAFFING, INC.
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended May 31, 2012

2012-1 Estimation of Allowance for Doubtful Accounts and Contractual Allowances

Condition

Estimation of allowance for doubtful accounts and contractual allowances, including retrospective adjustments, lacked significant processes or controls to ensure that net accounts receivable is fairly stated.

Criteria

The Company should have adequate processes and controls to ensure that any adjustments needed to the allowance for doubtful accounts and contractual adjustments are based on historical results and current information.

Cause

The Company lacks significant processes or controls over the estimation of allowance for doubtful accounts and contractual adjustments.

Effect

At May 31, 2012, adjustments were proposed to increase the allowance for doubtful accounts and the contractual adjustments by $ 60,000 and $ 70,000, respectively. In addition, adjustments of $ 105,327 were proposed to reduce expense and contractual adjustments for changes in retrospective reimbursement rates.

Recommendation

The Company develop and utilize a consistent model to more accurately estimate and adjust the allowance for doubtful accounts and contractual allowances based upon historical results and current information on a monthly and annual basis.

Management Response

We concur with the above recommendation. The Company has improved internal processes for accounts receivable cut-offs and reconciliations and will strive to improve estimation models and processes as it relates to allowances and contractual adjustments. However, changes to the monthly and annual bookkeeping procedures may require some additional time to implement.

2012-2 Audit Report Submission Deadline

Condition

The Company was unable to provide the necessary information for the audit to be completed by the original audit report due date as prescribed by the Comptroller of the Treasury by the State of Tennessee.

Criteria

The auditor's report was due to the state by November 15, 2012.

Cause

All the necessary information to complete the audit was not provided to the auditors on a timely basis in order to comply with the state requirements.

Effect

The auditor's report was not submitted to the state by the November 15, 2012 date specified in the contract to audit accounts.

Recommendation

The Company take the necessary action to comply with the audit report due date as prescribed by the Comptroller of the Treasury by the State of Tennessee.

Management Response

We concur with the above recommendation. May 31, 2011 was the first audit for the Company and we were delayed on gathering all the necessary information to begin the audit for this year. We had some reconciliation issues with Private Duty accounts receivable and had some unexpected family emergencies. We plan to provide the information to our auditors more timely in the future.

Communicated in Prior Years but Not Remediated

2011-1 Controls Over the Financial Reporting Process

Condition

The Company does not produce financial statements during the year or on an annual basis, but relies on other measurement information. The Company utilizes external resources to provide monthly bookkeeping, tax services, and other financial assistance. We assisted management in proposing journal entries to adjust their financial records from the income tax basis of accounting and in preparing their financial statements. Company personnel and external personnel do have the suitable skills and knowledge to make the proposed adjustments and the financial statements and related notes and to take responsibility for them.

Criteria

The Company should have financial policies and procedures in effect to produce financial statements, and related note disclosures on an interim and annual basis.

Cause

Management relies on various other internal reports of billings, receipts, and expenses to gauge their ongoing financial situation.

Effect

Without the production of financials statements, there is a risk that internal control procedures, including effective monitoring, are not in place to detect and prevent financial errors and irregularities on a timely basis.

Recommendation

Company personnel consider the cost and benefit of implementing financial reporting policies and procedures to produce financial statements on an interim and annual basis.

Management Response

The Company utilizes the services of external personnel to provide bookkeeping services. The Company utilizes other measurement information such as billing reports, bank statement activity, payroll registers and check registers to assist with the day to day monitoring of the Company's financial activity. The Company intends to obtain some additional account analyses from the external bookkeepers to further monitor certain costs in the future. After considering the cost and benefit of implementing monthly financial reporting, the Company does not feel that it is necessary at the current time. This will likely be an ongoing condition.

2011-2 Segregation of Duties – Accounting Function

Condition

Since the Company utilizes external resources to provide bookkeeping, tax services, and other financial assistance, they have a limited number of personnel in the accounting department. This lack of personnel gives management the ability to override controls and the Company's internal control structure is limited in the accounting area.

Criteria

An enhanced internal control structure that provides for a segregation of duties in the accounting function is needed.

Cause

The Company's financial information is tightly contained by the shareholders and there is a reluctance to share sensitive information since they are located in a small town, closely knit community setting.

Effect

Lack of segregation of duties in the accounting function.

Recommendation

Company personnel should consider the cost and benefit of improving internal controls in this area.

Management Response

Since the Company is located in a small town, closely knit community setting, the Company has operated successfully in the past by keeping sensitive financial information tightly contained to the shareholders and key trusted employees. The services of external personnel have been utilized to provide for better segregation of duties. However, optimal segregation of duties in the accounting area will likely be an ongoing condition.

2011-3 Accounts Receivable Recordkeeping and Reconciliation

Condition

The accounts receivable balances are maintained and adjusted annually in the general ledger for both the Access Program and Quality Private Duty. During the year, the Company records all deposits received from both the Access Program and Quality Private Duty as sales. Manual ledgers are maintained to record charges, bad debts, adjustments, and receipts, but there was not evidence provided to show that the accounts receivable is reconciled each month to the detailed subsidiary records.

Criteria

The Company should have adequate processes and internal control procedures in place to reconcile the manual ledgers to the detailed subsidiary ledger activity and record the accounts receivable activity in the general ledger on a monthly basis.

Cause

The Company does not have adequate processes and internal control procedures in place to reconcile the manual ledgers to the detailed subsidiary ledgers and record the accounts receivable activity in the general ledger on a monthly basis. Subsequent analysis determined that the reason for the majority of the difference related to the lack of effective cut-off procedures, lack of effective reconciliation procedures between billing and reporting systems, the timing of recording payments to the ledgers, and the lack of maintaining separate general ledger accounts to record transactions during the year.

Effect

At May 31, 2012, the manual ledger for Quality Private Duty accounts receivable did not reconcile to the accounts receivable report provided from the subsidiary ledger. At May 31, 2012, adjustments were proposed and recorded for the understatement of accounts receivable of $ 174,716, the understatement of related revenues of $ 223,253 and the understatement of bad debts and other expenses of $ 48,537.

Recommendation

On a monthly basis, journal entries should be made in the general ledger to record charges, bad debts, adjustments, and receipts. Effective cut-off policies and procedures should be developed to reconcile the detailed subsidiary records to the general ledger on a monthly and annual basis.

Management Response

We concur with the above recommendation. The Company has improved internal processes as it relates to cash and accounts receivable cut-offs and reconciliations. However, changes to monthly bookkeeping procedures may require some additional time to implement. We plan to implement more effective general ledger account coding, cut-off, and reconciliation procedures.

2011-4 Access Cash Bank Account

Condition

In review of the general ledger, it appears that the Access Program bank account activity is not being maintained on the general ledger and there is not evidence that this account is being reconciled to receipt records on a monthly basis. Electronic deposits into this account are from the State of Tennessee waiver program and periodic bank transfers are made to transfer these funds to the Company's operating bank account. At the end of the year, a transfer is made to zero out the funding in the Access Program bank account. Accounting entries are made from the operating account each month to treat the transfer deposits as revenue rather than separately tracking and reconciling the Access Program bank activity in the general ledger.

Criteria

The Company should have accounting procedures in place to maintain and reconcile the activity for the Access Program bank account in their general ledger.

Cause

This is caused by no provision being made in the setup of the general ledger and results in a lack of an audit trail between the deposits received from the State of Tennessee and the general ledger records.

Effect

Access Program bank account activity is not being maintained on the general ledger and there is not evidence that this account is being reconciled to receipt records on a monthly basis.

Recommendation

Company and/or outside personnel modify their monthly procedures and begin accounting for the Access Program bank account activity in their general ledger.

Management Response

We concur with the above recommendation. The Company has improved internal processes as it relates to monthly general ledger procedures. We plan to implement more effective general ledger account coding and bank reconciliation procedures.

VOLUNTEER STAFFING, INC.
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended May 31, 2012

2011-6 Quality Private Duty Services

Condition

During the audit, it was noted that Quality Private Duty services, billings, and related Medicare cost reporting are being processed under the provider numbers of two unrelated licensed companies with the State of Tennessee. It did not appear that fees were charged to the Company for the processing of the Quality Private Duty services. According to company personnel, there is not a written agreement with these third party licensed agencies.

Criteria

State of Tennessee standards for homecare organizations providing home health services require written agreements between licensed agencies and the organization providing the services.

Cause

These two parties have operated under this verbal arrangement for several years. Since they have such a cooperative working relationship, they didn't realize it was necessary to have their agreement in writing.

Effect

Quality Private Duty services are being performed without having an agreement in writing with the licensed agencies.

Recommendation

Company personnel need to determine if these fees for services, billings, and cost reporting billed under these unrelated companies are done in accordance with State of Tennessee home health licensing guidelines. Company personnel should also consider documenting the contract arrangements in writing with these third parties.

Management Response

The two unrelated companies are both licensed home health agencies by the state of Tennessee and both are Medicare certified home health agencies. Both home health agencies have chosen to have the overall management and private duty home care services provided through VSI (Volunteer Staffing, Inc.). There is not a formalized agreement between these home health agencies and VSI. However, if a letter of understanding regarding the relationship between the entities is needed, that can be provided. If contracts between both independent home health agencies and VSI are requested or required, they can be executed. Management personnel are in the process of evaluating these requirements.