

**CAPITOL CITY FAMILY HEALTH CENTER, INC.
D/B/A CARE SOUTH**

AUDITED FINANCIAL STATEMENTS

**DECEMBER 31, 2019
(With Summarized Financial
Information for 2018)**

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
 DECEMBER 31, 2019
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BROWN, EWING & CO.
P. A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Capitol City Family Health Center, Inc. D/B/A Care South
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Capitol City Family Health Center, Inc. D/B/A Care South (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of operations, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 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 Capitol City Family Health Center, Inc. D/B/A Care South as of December 31, 2019, and the changes 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.

Report on Summarized Comparative Information

We have previously audited Capitol City Family Health Center, Inc. D/B/A Care South's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 15, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 18-22 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations 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 August 17, 2020, on our consideration of Capitol City Family Health Center, Inc. D/B/A Care South'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 solely 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 effectiveness of Capitol City Family Health Center, Inc. D/B/A Care South's 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 Capitol City Family Health Center, Inc. D/B/A Care South's internal control over financial reporting and compliance.

Brown, Emily & CO.

Ridgeland, Mississippi
August 17, 2020

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Statement of Financial Position
December 31, 2019
(With Summarized Financial Information for 2018)

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash	\$ 793,541	\$ 209,562
Patient care receivables, less allowance of \$(767,384) for doubtful accounts	746,698	913,141
Grants and contracts receivable (Note 13)	405,719	221,109
Goodwill (Note 14)	210,000	210,000
Accounts receivable, other	<u>36,000</u>	<u>118,890</u>
Total Current Assets	<u>2,191,958</u>	<u>1,672,702</u>
Fixed Assets:		
Land	495,593	458,692
Buildings and Improvements	8,935,023	8,664,023
Construction In Progress	233,791	18,900
Furniture and equipment	2,167,070	2,129,810
Less: Accumulated depreciation	<u>(3,880,905)</u>	<u>(3,607,174)</u>
Net Fixed Assets	<u>7,950,572</u>	<u>7,664,251</u>
OTHER ASSETS		
Deposits	<u>5,440</u>	<u>440</u>
TOTAL ASSETS	<u>\$ 10,147,970</u>	<u>\$ 9,337,393</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 1,093,245	\$ 354,986
Salaries payable	197,626	163,435
Payroll taxes payable and accrued	14,583	12,114
Accrued annual leave	302,886	73,918
Line of credit payable	161,548	481,703
Notes payable (current portion) (Note 15)	<u>215,326</u>	<u>190,197</u>
Total Current Liabilities:	<u>1,985,214</u>	<u>1,276,353</u>
Long-Term Liabilities		
Notes payable (Note 15)	<u>2,466,835</u>	<u>2,506,764</u>
Total Long-Term Liabilities	<u>2,466,835</u>	<u>2,506,764</u>
Total Liabilities	<u>4,452,049</u>	<u>3,783,117</u>
Net Assets:		
Without donor restrictions:		
Undesignated (operating)	<u>5,695,921</u>	<u>5,554,276</u>
Total Net Assets	<u>5,695,921</u>	<u>5,554,276</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,147,970</u>	<u>\$ 9,337,393</u>

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

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Statement of Operations and Changes in Net Assets
For the Year Ended December 31, 2019
(With Summarized Financial Information for 2018)

	<u>2019</u>	<u>2018</u>
SUPPORT AND REVENUES		
Support:		
Grants and contracts	\$ <u>4,570,105</u>	\$ <u>5,322,486</u>
Total Support	<u>4,570,105</u>	<u>5,322,486</u>
Revenue:		
Health care services, net of charity, bad debts and contractual adjustments of \$4,889,328	8,174,017	4,894,961
340B income (net of expenses of \$4,069,076)	1,374,518	1,122,101
Rental income	18,000	23,800
Interest income	-	453
In-kind revenue	-	5,494
Other income	<u>559,676</u>	<u>337,641</u>
Total Revenue	<u>10,126,211</u>	<u>6,384,450</u>
TOTAL SUPPORT AND REVENUES	<u>14,696,316</u>	<u>11,706,936</u>
EXPENSES		
Program Services		
Health care services	7,885,931	5,318,294
Community services	<u>1,732,881</u>	<u>1,682,858</u>
Total Program Services	<u>9,618,812</u>	<u>7,001,152</u>
Supporting Services		
Management and general	<u>4,935,859</u>	<u>4,629,382</u>
Total Supporting Services	<u>4,935,859</u>	<u>4,629,382</u>
TOTAL EXPENSES	<u>14,554,671</u>	<u>11,630,534</u>
Change in Net Assets	141,645	76,402
Net Assets, Beginning of Year	5,554,276	5,532,364
Prior period adjustment	-	<u>(54,490)</u>
Net Assets, as restated	<u>5,554,276</u>	<u>5,477,874</u>
NET ASSETS, END OF YEAR	\$ <u>5,695,921</u>	\$ <u>5,554,276</u>

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

EXHIBIT III

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Statement of Functional Expenses
For the Year Ended December 31, 2019
(With Summarized Financial Information for 2018)

	Health Care Services	Community Services	Total Program Services	Management and General	2019 Total Expenses	2018 Total Expenses
Personnel	\$ 3,846,110	1,206,248	5,052,358	2,379,649	\$ 7,432,007	\$ 6,461,081
Fringe benefits	807,491	252,060	1,059,551	450,614	1,510,165	1,392,769
Travel	21,162	8,658	29,820	41,702	71,522	101,103
Supplies	1,035,043	54,548	1,089,591	53,063	1,142,654	385,026
Equipment rental	33,469	4,666	38,135	75,783	113,918	36,290
Contractual	1,477,455	74,988	1,552,443	746,780	2,299,223	1,026,878
Equipment expense	18,016	-	18,016	7,909	25,925	17,693
Legal and accounting	-	-	-	142,565	142,565	113,981
Dues and subscriptions	43,710	460	44,170	60,426	104,596	50,392
Utilities	72,962	9,059	82,021	17,313	99,334	113,848
Printing	5,945	162	6,107	3,068	9,175	8,887
Repairs and maintenance	46,181	3,377	49,558	92,151	141,709	152,372
Property taxes	-	-	-	35	35	42,386
Insurance	27,116	16,439	43,555	34,049	77,604	86,846
Staff recruitment	19,183	340	19,523	48,389	67,912	28,077
Advertisement	6,415	2,568	8,983	72,005	80,988	127,051
Security	1,038	-	1,038	144,200	145,238	115,739
Continuing education	23,368	3,757	27,125	18,662	45,787	134,520
Communications	137,029	23,450	160,479	49,067	209,546	123,315
Licenses and fees	32,994	3,869	36,863	2,207	39,070	68,922
Janitorial	526	-	526	1,192	1,718	23,050
Space cost	66,771	12,036	78,807	32,442	111,249	115,148
Interest	87,698	12,271	99,969	71,040	171,009	164,180
Bank charges	1,556	-	1,556	11,613	13,169	249,978
Contributions	-	-	-	81,211	81,211	80,158
Moving expenses	-	-	-	-	-	168
Transportation expenses	32	40,178	40,210	-	40,210	867
Board expenses	-	-	-	25,096	25,096	18,677
Disposal services	30,268	-	30,268	3,295	33,563	36,711
Other	15,555	1,116	16,671	28,071	44,742	80,475
Total expenses before depreciation	7,857,093	1,730,250	9,587,343	4,693,597	14,280,940	11,356,588
Depreciation	28,838	2,631	31,469	242,262	273,731	273,946
Total Expenses	<u>\$ 7,885,931</u>	<u>1,732,881</u>	<u>9,618,812</u>	<u>4,935,859</u>	<u>\$ 14,554,671</u>	<u>\$ 11,630,534</u>

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

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Statement of Cash Flows
For the Year Ended December 31, 2019
(With Summarized Financial Information for 2018)

CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:

	<u>2019</u>	<u>2018</u>
Changes in Net Assets	\$ 141,645	\$ 76,402
Adjustments to reconcile changes in assets to net cash provided by (used in) operating activities:		
Depreciation expense	273,731	273,947
Prior period adjustment	-	(54,490)
Decrease (increase) in:		
Patient care receivables	166,444	(224,661)
Grants and contracts receivable	(184,610)	(25,434)
Deposits	(5,000)	(150)
Accounts receivable, other	82,890	(114,890)
Prepaid expenses	-	9,419
Increase (decrease) in:		
Accounts payable	738,259	21,585
Accrued salaries payable	34,190	47,134
Payroll taxes payable	2,616	3,606
Other liabilities	(148)	(385)
Accrued annual leave	228,968	8,571
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>1,478,985</u>	<u>20,654</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	<u>(560,052)</u>	<u>(18,900)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(560,052)</u>	<u>(18,900)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal reduction in short and long-term notes payable	(14,799)	(152,392)
Proceeds from line of credit	<u>(320,155)</u>	<u>155,172</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(334,954)</u>	<u>2,780</u>
NET increase (DECREASE) IN CASH	583,979	4,534
CASH, BEGINNING OF YEAR	<u>209,562</u>	<u>205,028</u>
CASH, END OF YEAR	<u>\$ 793,541</u>	<u>\$ 209,562</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for:		
Interest	<u>\$ 171,009</u>	<u>\$ 164,180</u>

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

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Financial Statements
December 31, 2019

NOTE 1 - ABOUT THE ORGANIZATION

Capitol City Family Health Center, Inc. D/B/A Care South, a non-profit corporation, was incorporated in the State of Louisiana as of December 8, 1997. The primary purpose of the Corporation is to deliver primary health services to individuals and families.

The fiscal year of Capitol City Family Health Center, Inc. D/B/A Care South is January 1 to December 31.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Accounting - The financial statements of Capitol City Family Health Center, Inc. D/B/A Care South, are presented on the accrual basis of accounting.
- B. Basis of Presentation - The organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. In addition the organization is required to present a statement of functional expenses.
- C. Cash and Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less that are not restricted for specific purposes.
- D. Donated Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. There is no donated property or equipment.
- E. Donated Services - Donated services are recognized as contributions in accordance with FASB Accounting Standards Codification 958, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center. The Organization has not recognized donated services as there is no means to objectively value such services.
- F. Functional Allocation of Expenses - The cost of program and supporting services activities have been summarized on a functional basis in the statement of operations. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Financial Statements
December 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fund Accounting - The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.

H. Property and Equipment - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Acquisitions in excess of \$5,000 are capitalized. Property, furniture, equipment and buildings are depreciated over their useful lives ranging from 5 to 40 years.

The Federal Government has a reversionary interest in property purchased with federal funds. Its disposition, as well as any disposition proceeds is subject to federal regulations. The use of assets purchased with federal funds is limited to the purposes intended by the funding source.

I. Restricted and Unrestricted Revenue and Support - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Operations as net assets released from restrictions. Federal grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.

J. Employees' Annual Leave - Care South, Inc. charges annual leave earned by employees which has not been used by them at the end of a period to the period that the leave is earned.

K. 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.

L. Net Patient Service Revenues and Provision for Bad Debt - Net patient service revenue is reported at the estimated net realized amounts from patients, third-party payors, and others for services rendered, including estimated retroactive and prospective adjustments under reimbursements agreements with third-party payors. Third-party payors retain the right to review and propose adjustments to amounts reported by Center. Such 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.

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Financial Statements
December 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Center grants credit without collateral to patients, most of whom are local residents and are insured under thirty-party payor agreements. Additions to the allowance for doubtful accounts are made by means of the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance. The amount of the provision for bad debt is based upon management's assessment of historical expected net collections, business and economic conditions, trends in Federal and state governmental health care coverage, and other collection indicators. Services rendered to individuals when payment is expected and ultimately not received are written off to the allowance for doubtful accounts.

- M. Reclassifications - Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.
- N. Allowance for Doubtful Accounts - The Center provides an allowance for doubtful accounts based upon a review of outstanding patient receivables, historical collection information and existing economic conditions. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.
- O. Classification of Net Assets - Net Assets of Capitol City Family Health Center, Inc. D/B/A Care South are classified based on the presence or absence of donor-imposed restrictions. Net Assets are comprised of two groups as follows:
- a) Net Assets Without Donor Restrictions - Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.
 - b) Net Assets With Donor Restrictions - Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the organization. Certain restrictions may need to be maintained in perpetuity.

NOTE 3 - FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Center in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: the carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

The estimated fair values of the Center's financial instruments, none of which are held for trading purposes, are as follows:

Financial assets:	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 793,541	\$ 793,541
Financial liabilities:	Carrying Amount	Fair Value
Notes payable	\$ 2,682,161	\$ 2,682,161
Line of credit payable	161,548	161,548

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Financial Statements
December 31, 2019

NOTE 4 - CONCENTRATIONS OF CREDIT RISK ARISING FROM DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization maintains its cash balances in four (4) financial institutions located in Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2019, the Organization did not have an uninsured cash balance.

NOTE 5 - LIQUIDITY AND AVAILABILITY

The Center strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds.

The following table reflects the Center's financial assets as of December 31, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of internal board designations. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may included net assets with donor restrictions. There were no net assets with donor restrictions at December 31, 2019.

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

	2019
Cash and cash equivalents	\$ 793,541
Patient receivables, net	746,698
Grants Receivable	405,719
Other Receivable	36,000
Total financial assets	1,981,958
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,981,958

NOTE 6 - PATIENT CARE RECEIVABLES AND RELATED ALLOWANCE FOR DOUBTFUL ACCOUNTS

Patient accounts receivable, prior to adjustment for the allowance for doubtful accounts, is summarized as follows at December 31, 2019:

Accounts receivable:	Amount
Patients	\$ 802,464
Government	521,518
Other	190,100
	\$ 1,514,082

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Financial Statements
December 31, 2019

NOTE 6 - PATIENT CARE RECEIVABLES AND RELATED ALLOWANCE FOR DOUBTFUL ACCOUNTS (Continued)

Allowance for doubtful accounts is summarized as follows at December 31, 2019

Allowance :	Amount
Patients	\$ 202,118
All Other	565,266
	\$ 767,384

NOTE 7 - PATIENT SERVICE REVENUE

A summary of patient service revenue, net of contractual adjustments and discounts, is as follows at December 31, 2019:

Patient Service Revenue	Amount
Patient Service Revenue	\$ 13,063,345
Less: Contractual adjustment under third-party reimbursement program and discounts	(3,530,335)
Provision for bad debts	(1,358,993)
Net Patient Service Revenue	\$ 8,174,017

NOTE 8 - FIXED ASSETS

The following is a summary schedule of fixed assets and related accumulated depreciation carried in the general property fund.

Assets	
Land	\$ 495,593
Building and Improvements	8,935,023
Construction In Progress	233,791
Furniture and Equipment	2,167,070
Total Property and Equipment	11,831,477
Less: Accumulated Depreciation	(3,880,905)
Net Property and Equipment	\$ 7,950,572

Depreciation expense was \$273,731 for the year ended December 31, 2019.

NOTE 9 - CORPORATE INCOME TAXES

The Organization is exempt from corporate Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes. Therefore, no provision has been made for Federal or state corporate income taxes in the accompanying financial statements.

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Financial Statements
December 31, 2019

NOTE 9 - CORPORATE INCOME TAXES (Continued)

The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service. It believes that its tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial condition, results of operations, or cash flows. The Organization's federal and state income tax returns for 2016, 2017, and 2018 are subject to examination by the federal, state and local taxing authorities, generally for three years after they are filed.

NOTE 10 - RETIREMENT PLAN

The Center has a 401k plan for all eligible employees. To be eligible, an employee must be employed with the Corporation for at least one year and must be at least eighteen years of age. For the year ended December 31, 2019, the plan was properly funded. Retirement expense recognized was \$82,777 for the year ended December 31, 2019.

NOTE 11 - ANNUAL LEAVE

The cost of employee's unused annual leave at December 31, 2019 in the amount of \$302,886 is included in the financial statements. See Note 2.J. above.

NOTE 12 - SUMMARY OF FUNDING AND SUPPORT

Capitol City Family Health Center, Inc. D/B/A Care South's operations are funded primarily through restricted grants from the U. S. Department of Health and Human Services. Other grants and contracts are received from state and local government agencies. The grants and contracts for the current period are shown below.

Source	Grant Number	Period	Amount
U.S. Dept. of HHS (Health Center Cluster)	6 H80CS00504	1/1/2019-12/31/2019	\$ 2,421,080
U.S. Dept. of HHS (Ryan White Title III Early Intervention)	6 H76HA00817	1/1/2019-12/31/2019	349,084
STI Grant	N/A	1/1/2019-12/31/2019	107,249
City of Baton Rouge (Minority Aids Initiative)	N/A	1/1/2019-12/31/2019	89,158
Ryan White Part A HIV Emergency Relief Grant	N/A	1/1/19 - 12/31/19	719,714
Louisiana State Department of Health (WIC Grant)	654775	1/1/2019-12/31/2019	883,820
TOTALS			<u>\$ 4,570,105</u>

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Financial Statements
December 31, 2019

NOTE 13 - GRANTS AND CONTRACTS RECEIVABLE,

Grants and contracts receivable at December 31, 2019 are due from the following:

State of Louisiana Department of Health (WIC Program)	\$ 280,110
City of Baton Rouge (Ryan White Part A)	82,112
City of Baton Rouge (Minority Aids Initiative)	15,052
Rutgers University (STI Grant)	<u>28,445</u>
Totals	<u>\$ 405,719</u>

NOTE 14 - GOODWILL

In March 2017, Capitol City Family Health Center, Inc. D/B/A Care South acquired assets of a Behavioral Health practice in which \$210,000 was goodwill. The Center has adopted ASC 350 "Goodwill and Other Intangible Assets." That statement requires the Center to evaluate the goodwill on an annual basis for potential impairment.

NOTE 15 - NOTES PAYABLE

Notes payable consist of the following at December 31, 2019:

Note payable to Whitney Bank; interest stated at 4.99%; due in monthly installments of \$9,067 which includes principal and interest; matures November 3, 2021; secured by real estate.	\$ 776,228
Note payable to Capital One Bank; interest stated at 5.25%; due in monthly installments of \$5,097 which includes principal and interest; matures November 14, 2028; secured by real estate.	729,862
Note payable to Capital One Bank; interest stated at 5.50%; due in monthly installments of \$3,970 which includes principal and interest; matures November 13, 2023; secured by real estate.	167,676
Note payable to Southeast Louisiana AHEC; interest stated at 4.25%; due in monthly installments of \$2,107 which includes principal and interest; matures August 1, 2027; secured by real estate.	314,309
Note payable to Southeast Louisiana AHEC; interest stated at 4.75%; due in monthly installments of \$2,792 which includes principal and interest; matures October 1, 2027; secured by real estate.	402,744
Note payable to Southeast Louisiana AHEC; interest stated at 4.75%; due in monthly installments of \$1,511 which includes principal and interest; matures July 15, 2029; secured by real estate.	231,342
Note payable to Brittany Smith; Principal payments only due in quarterly installments of \$10,000; matures March 2020	<u>60,000</u>
TOTALS	2,682,161
Less: current portion	<u>(215,326)</u>
Total Long-Term Debt	<u>\$ 2,466,835</u>

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Financial Statements
December 31, 2019

NOTE 15 - NOTES PAYABLE (Continued)

Maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>TOTAL</u>
2020	\$ 215,326	\$ 129,202	\$ 344,528
2021	820,223	114,695	934,918
2022	107,556	78,148	185,704
2023	109,289	72,513	181,802
2024	70,014	68,053	138,067
Thereafter	<u>1,359,753</u>	<u>212,454</u>	<u>1,572,207</u>
Totals	<u>\$2,682,161</u>	<u>\$ 675,065</u>	<u>\$3,357,226</u>

NOTE 16 - LINE OF CREDIT

Capitol City Family Health Center, Inc. D/B/A Care South has in place a line of credit agreement with Whitney Bank for \$300,000. The line of credit has a rate of 7.15%. As of December 31, 2019, the balance outstanding on the line of credit is \$161,548.

NOTE 17 - LITIGATION

Capitol City Family Health Center, Inc. D/B/A Care South maintains general liability, property, managed care professional liability, directors and officers and other insurance coverage in amounts management considers to be adequate. The Company requires contracting health care providers to maintain malpractice insurance coverage in amounts customary in the industry.

In the ordinary course of its business, Capitol City Family Health Center, Inc. D/B/A Care South is a party to claims and legal actions by enrollees, providers and others. After consulting with legal counsel, the Company is of the opinion that any liability that may ultimately be incurred as a result of these claims, legal actions, audits or investigations will not have a material adverse effect on the financial position or results of operations of Capitol City Family Health Center, Inc. D/B/A Care South.

NOTE 18 - ADVERTISING

Capitol City Family Health Center, Inc. D/B/A Care South uses advertising to promote its programs among the communities it serves. The production costs of advertising are expensed as incurred. During the year ending December 31, 2019, advertising cost totaled \$80,988.

NOTE 19 - CONCENTRATION OF CONTRIBUTIONS OR GRANTS

Approximately 69% of the Organization's funding is provided by direct grants from the U. S. Department of Health and Human Services.

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Financial Statements
December 31, 2019

NOTE 20 - GRANT BALANCES AND GRANT CONDITIONS

The Organization has responsibility for expending grant funds in accordance with specified instructions from its funding sources. Any deficits resulting from over expenditures and/or questioned costs are the responsibility of the Organization.

Any unexpended grant funds at the end of the grant period may be refundable or carried over to the following period at the discretion of the funding sources.

Notwithstanding the audit by independent certified public accountants, all costs included in this report remain subject to audit by the agencies providing financial support within the limits of the Uniform Guidance. The determination as to whether costs will be allowable or unallowable under the grants will be made by representatives of the funding sources having authority to make and enforce contracts.

NOTE 21 - CONSTRUCTION AND COMMITMENTS

The Center has under construction the following projects:

Description of Project	Estimated Cost of Project	Balance 12/31/2018	Additions	Balance 12/31/2019	Estimated Cost to Complete
Building Improvements - 3324 Florida Blvd	\$ 659,000	18,900	214,891	233,791	\$ 425,209
TOTALS	<u>\$ 659,000</u>	<u>18,900</u>	<u>214,891</u>	<u>233,791</u>	<u>\$ 425,209</u>

NOTE 22 - COMPARATIVE FINANCIAL STATEMENT INFORMATION

The financial statements include certain prior-year summarized information in total but not by net asset class. Prior-year information is not provided for the notes to the financial statements. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

NOTE 23 - RELATED PARTY TRANSACTIONS

During 2019, the CEO acknowledged losing a cashier's check in the amount of \$36,000 withdrawn from the Center's savings account to be deposited into the Center's operating account as part of a transfer. A promissory note was executed between the Center and the CEO where he agreed to pay \$5,000 quarterly, effective 3/1/2020, until the balance is paid in full. A receivable is included on the financial statements at 12/31/2019 for the balance due.

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Financial Statements
December 31, 2019

NOTE 24 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 17, 2020, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

COVID-19 Pandemic

The COVID-19 Pandemic occurred prior to the issuance of Capitol City Family Health Center, Inc. D/B/A Care South's 2019 Financial Statements. However, the COVID-19 Pandemic has not had a major negative impact on the organization. However, Care South offices have been closed to the public as a result of the National and State emergency due to the Coronavirus (COVID-19). Staff is transitioning to telework from home in an effort to minimize public health risks from COVID-19.

Subsequent to year end, the Organization applied for and was approved a \$1,370,030 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

The Organization's major Grantee, Health Resources and Services Administration, supplemented Capitol City Family Health Center, Inc. D/B/A Care South with the following grants:

- FY 2020 Coronavirus Supplemental Funding for Health Centers - \$60,651 - Issued 3-20-2020
- Health Center Coronavirus Aid, Relief, and Economic Security Act Funding - \$750,680- Issued 4-6-2020
- FY 2020 Expanding Capacity for Coronavirus Testing (ECT) - \$319,819- Issued 5-5-2020
- Ryan White HIV/AIDS Program Part C EIS COVID-19 Response - \$64,750- Issued 4-13-2020

The State of Louisiana supplemented Capitol City Family Health Center, Inc. D/B/A Care South with the following grants:

- Covid19 Response Ryan White Part A - \$60,000
- Covid19 Rural Relief Fund - \$327,331

As a result of the above additional funding, Care South will be able to continue operations without any significant financial impact.

SUPPLEMENTARY INFORMATION

SCHEDULE A

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
 Schedule of Compensation, Benefits, Reimbursements, and Other Payments to Chief Executive Officer
 For the Year Ended December 31, 2019

In accordance with Act 706 passed during the 2014 regular Louisiana Legislative Session, the compensation, benefits, reimbursements and other payments to the Chief Executive Officer are presented as follows:

<u>Category</u>	<u>Amount</u>	<u>Total</u>
Salary	\$ 166,885	
Incentive pay	<u>20,125</u>	
Total salary		\$ 187,010
Benefits:		
Health insurance	17,634	
Dental insurance	1,076	
FICA/Medicare	10,874	
Retirement	<u>5,319</u>	
Total benefits		34,903
Travel:		
Airfare and lodging	1,692	
Per diem and incidentals	285	
Registration	1,460	
Vehicle allowance	<u>9,134</u>	
Total travel		<u>12,571</u>
Total Compensation, Benefits, Travel, and Other Expenses		\$ <u>234,484</u>

SCHEDULE B

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
 Combining Schedule of Support and Revenues
 For the Year Ended December 31, 2019

	Section 330(e)	Ryan White Title III Early Intervention	Ryan White Part A HIV Emergency Relief	WIC Program	STI Grant	American Cancer Society Grant	Minority Aids Initiative	TOTALS
SUPPORT AND REVENUES								
Support:								
Grants and contracts	\$ 2,421,080	349,084	719,714	883,820	107,249	-	89,158	\$ 4,570,105
Total support	<u>2,421,080</u>	<u>349,084</u>	<u>719,714</u>	<u>883,820</u>	<u>107,249</u>	<u>-</u>	<u>89,158</u>	<u>4,570,105</u>
Revenue:								
Health care services, net of charity, bad debts and adjustments of \$4,889,328	8,174,017	-	-	-	-	-	-	8,174,017
340B Income (net of expenses of \$4,069,076)	1,374,518	-	-	-	-	-	-	1,374,518
Rental income	18,000	-	-	-	-	-	-	18,000
Interest income	-	-	-	-	-	-	-	-
In-kind revenue	-	-	-	-	-	-	-	-
Other income	559,676	-	-	-	-	-	-	559,676
Total revenue	<u>10,126,211</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,126,211</u>
TOTAL SUPPORT AND REVENUES	<u>\$ 12,547,291</u>	<u>349,084</u>	<u>719,714</u>	<u>883,820</u>	<u>107,249</u>	<u>-</u>	<u>89,158</u>	<u>\$ 14,696,316</u>

SCHEDULE C

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
 Schedule of Health Care Services Expenses
 For the Year Ended December 31, 2019

<u>EXPENSES</u>	<u>HHS</u> <u>Section 330</u>
Personnel	\$ 3,846,110
Fringe benefits	807,491
Travel	21,162
Supplies	1,035,043
Equipment rental	33,469
Contractual	1,477,455
Equipment expense	18,016
Dues and subscriptions	43,710
Utilities	72,962
Printing	5,945
Repairs and maintenance	46,181
Insurance	27,116
Staff recruitment	19,183
Advertisement	6,415
Security	1,038
Continuing education	23,368
Communications	137,029
License and fees	32,994
Janitorial	526
Space cost	66,771
Interest	87,698
Bank and finance charges	1,556
Transportation expenses	32
Disposal services	30,268
Other	<u>15,555</u>
Total	<u>7,857,093</u>
Total Expenses	<u>\$ 7,857,093</u>

SCHEDULE D

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
 Schedule of Community Services Expenses
 For the Year Ended December 31, 2019

EXPENSES	WIC	Ryan White Part A, HIV Emergency Relief	HHS- Title III Early Intervention	Minority Aids Initiative	Resilient Grant	American Cancer Society Grant	STI Grant	TOTALS
Personnel	\$ 475,243	53,091	482,786	35,857	76,094	-	83,177	\$ 1,206,248
Fringe benefits	161,169	4,566	77,183	1,108	6,142	-	1,892	252,060
Travel	2,241	-	4,957	-	-	78	1,382	8,658
Supplies	6,019	30,112	14,745	-	-	-	3,672	54,548
Equipment rental	3,319	-	1,347	-	-	-	-	4,666
Contractual	2,427	5,583	67,128	-	-	(150)	-	74,988
Dues and subscriptions	-	-	460	-	-	-	-	460
Utilities	4,797	-	4,262	-	-	-	-	9,059
Printing	85	-	77	-	-	-	-	162
Repairs and maint.	2,537	-	840	-	-	-	-	3,377
Insurance	13,788	-	2,651	-	-	-	-	16,439
Staff recruitment	201	-	139	-	-	-	-	340
Advertisement	123	-	240	-	-	2,205	-	2,568
Continuing education	200	15	2,381	-	-	1,161	-	3,757
Communications	17,680	535	4,996	239	-	-	-	23,450
License and fees	-	-	3,869	-	-	-	-	3,869
Space cost	12,036	-	-	-	-	-	-	12,036
Interest	7,042	-	5,229	-	-	-	-	12,271
Transportation expenses	-	984	7,104	32,090	-	-	-	40,178
Other	366	-	104	-	-	646	-	1,116
Total	<u>709,273</u>	<u>94,886</u>	<u>680,498</u>	<u>69,294</u>	<u>82,236</u>	<u>3,940</u>	<u>90,123</u>	<u>1,730,250</u>
Total Expenses	<u>\$ 709,273</u>	<u>94,886</u>	<u>680,498</u>	<u>69,294</u>	<u>82,236</u>	<u>3,940</u>	<u>90,123</u>	<u>\$ 1,730,250</u>

SCHEDULE E

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
 Schedule of Management and General Expenses
 For the Year Ended December 31, 2019

<u>EXPENSES</u>	<u>HHS Section 330</u>
Personnel	\$ 2,379,649
Fringe benefits	450,614
Travel	41,702
Supplies	53,063
Equipment rental	75,783
Contractual	746,780
Equipment expense	7,909
Legal and accounting	142,565
Dues and subscriptions	60,426
Utilities	17,313
Printing	3,068
Repairs and maintenance	92,151
Insurance	34,049
Staff recruitment	48,389
Advertisement	72,005
Security	144,200
Continuing education	18,662
Communications	49,067
License, taxes and fees	2,207
Janitorial	1,192
Space cost	32,442
Property taxes	35
Interest	71,040
Bank and finance charges	11,613
Contributions	81,211
Board expenses	25,096
Disposal services	3,295
Other	<u>28,071</u>
Total	<u>4,693,597</u>
Total Expenses	<u>\$ 4,693,597</u>

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Grant/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grant Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
<u>Health Resource & Service Administration</u>			
<u>Bureau of Primary Health Care</u>			
Direct Grants:			
Health Centers Cluster			
Consolidated Health Centers	93.224	H80CS00504	\$ 744,664
Affordable Care Act Grants for New and Expanded Services Under the Health Care Program	93.527	H80CS00504	<u>1,676,416</u>
Total Health Centers Cluster			<u>2,421,080</u>
 Ryan White Part C Outpatient EIS Program	 93.918	 H76HA00817	 <u>349,084</u> <u>349,084</u>
 <u>Pass Through City of Baton Rouge, Louisiana</u>			
Ryan White Part A HIV Emergency Relief Grant	93.914	N/A	<u>719,714</u>
 <u>Pass Through Rutgers University</u>			
Special Projects of National Significance	93.928	U90HA32147	<u>90,123</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>3,580,001</u>
 <u>U. S. Department of Agriculture</u>			
<u>Pass Through Louisiana State Dept. of Health and Hospitals</u>			
Special Supplement Food Program for Women, Infants and Children	10.557	718943	<u>883,820</u>
TOTAL FEDERAL AWARDS			<u>\$ 4,463,821</u>

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Capitol City Family Health Center, Inc. D/B/A Care South under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Capitol City Family Health Center, Inc. D/B/A Care South, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Capitol City Family Health Center, Inc. D/B/A Care South.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

INDIRECT COST RATE

Capitol City Family Health Center, Inc. D/B/A Care South does not use an indirect cost rate and therefore has elected not to use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.



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

To the Board of Directors of
Capitol City Family Health Center, Inc. D/B/A Care South
Baton Rouge, Louisiana

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 Capitol City Family Health Center, Inc. D/B/A Care South (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of operations and 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 August 17, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Capitol City Family Health Center, Inc. D/B/A Care South's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Capitol City Family Health Center, Inc. D/B/A Care South's internal control. Accordingly, we do not express an opinion on the effectiveness of Capitol City Family Health Center, Inc. D/B/A Care South'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 to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Capitol City Family Health Center, Inc. D/B/A Care South'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*.

We noted certain matters that we reported to the management of Capitol City Family Health Center, Inc. D/B/A Care South in a separate letter dated August 17, 2020.

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 organization'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.

Brown, Emily & Co.
Ridgeland, Mississippi
August 17, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Capitol City Family Health Center, Inc. D/B/A Care South
Baton Rouge, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Capitol City Family Health Center, Inc. D/B/A Care South's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Capitol City Family Health Center, Inc. D/B/A Care South's major federal programs for the year ended December 31, 2019. Capitol City Family Health Center, Inc. D/B/A Care South'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Capitol City Family Health Center, Inc. D/B/A Care South'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 Capitol City Family Health Center, Inc. D/B/A Care South'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 Capitol City Family Health Center, Inc. D/B/A Care South's compliance.

Opinion on Each Major Federal Program

In our opinion, Capitol City Family Health Center, Inc. D/B/A Care South 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 December 31, 2019.

Report on Internal Control Over Compliance

Management of Capitol City Family Health Center, Inc. D/B/A Care South 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 Capitol City Family Health Center, Inc. D/B/A Care South's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the 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 Capitol City Family Health Center, Inc. D/B/A Care South's internal control over compliance.

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

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

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

Brown, Emily & CC

Ridgeland, Mississippi
August 17, 2020

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Summary Schedule of Prior Audit Findings
Year End December 31, 2019

There were no findings for the year ending December 31, 2018.

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2019

Section 1: Summary of Auditor's Results

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the financial statements. | Unmodified |
| 2. | Material noncompliance relating to the financial statements. | None |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |

Federal Awards:

- | | | |
|----|---|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs | Unmodified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 6. | Any audit findings reported as required to be reported in accordance with 2 CFR Section 200.516 (a) | No |
| 7. | Federal programs identified as major programs: | |
| | HEALTH CENTERS CLUSTER | |
| | Consolidated Health Centers | CFDA #93.224 |
| | Affordable Care Act Grants for New and Expanded Services Under Health Care Program | CFDA #93.527 |
| 8. | The dollar threshold used to distinguish between type A and Type B programs: | \$750,000 |
| 9. | Auditee did qualify as a low-risk auditee. | |

Section 2: Findings - Financial Statements Audit

NONE

Section 3: Findings and Questioned Costs - Major Federal Award Program Audit

NONE

**CAPITOL CITY FAMILY HEALTH CENTER, INC.
D/B/A CARE SOUTH**

MANAGEMENT LETTER

FOR THE YEAR ENDED DECEMBER 31, 2019



BROWN, EWING & CO.
P.A.
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Capitol City Family Health Center, Inc. D/B/A Care South
Baton Rouge, Louisiana

In planning and performing our audit of the financial statements of Capitol City Family Health Center, Inc. D/B/A Care South, for the year ended December 31, 2019, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated August 17, 2020 on the financial statements of Capitol City Family Health Center, Inc. D/B/A Care South.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Organization personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Accounts Payable Reconciled To The General Ledger

Finding

Our testing in the area of accounts payable disclosed that monthly reconciliations between the balance in the general ledger and the subsidiary ledger are not being performed. The lack of this control feature allows for differences to occur and accumulate over a period of time. Ultimately, the determination of the actual payables balance is virtually impossible without a significant time investment in a lengthy reconciliation process.

Recommendation

In order to maintain proper control over accounts payable, we suggest that the subsidiary ledger be reconciled with the balance in the general ledger at the end of every month. If any differences exist, they should be investigated and resolved promptly. These procedures will ensure that the balance in the general ledger reflects the accurate accounts payable balance supported by the subsidiary ledger.

Bank Reconciliation Differences

Finding

During our test of bank reconciliations, we noted some reconciling items that were not corrected in a timely manner.

Recommendation

We recommend that bank accounts be reconciled and all differences between book and bank balances be investigated on a timely basis by appropriate accounting personnel so that errors and adjustments can be quickly identified and corrected.

Reconciling Fixed Assets To General Ledger

Finding

At the present time, there is no procedure for reconciling detailed fixed asset records to the general ledger on a regular basis.

Recommendation

To prevent the need for major adjustments to the property accounts at the end of each year, we suggest that procedures be adopted that ensure that the general ledger fixed asset accounts be reconciled to the detailed records on a monthly basis.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Brown, Emory & Co.

August 17, 2020

**CAPITOL CITY FAMILY HEALTH CENTER, INC.
D/B/A
CARE SOUTH**

**AGREED UPON PROCEDURES REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019**



BROWN, EWING & CO.
P. A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
Capitol City Family Health Center, Inc. D/B/A Care South
Baton Rouge, Louisiana
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Capitol City Family Health Center, Inc. D/B/A Care South and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2019 through December 31, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a. ***Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

We reviewed Care South, Inc.'s Disaster Recovery/Business Continuity policy and determined that it addressed the categories and subcategories noted above.

Collections

1. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

We obtained a list of four deposit sites from management (along with management's representation that the list was complete) and we selected all four deposit sites.

2. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

For each deposit sites, there is one collection location. We obtained a list of four collection locations from management (along with management's representation that the list is complete) and we randomly selected four collection locations

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

We obtained and inspected the Center's written policies and procedures and verified that front desk staff are responsible for collecting patient fees and should verify that their own cash drawer funds are balanced at least twice each day.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

We obtained and inspected the Center's written policies and procedures and verified that the front desk staff (employee responsible for collecting cash) is not the same person preparing/making bank deposits (who is the Site Manager).

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

We obtained and inspected the Center's written policies and procedures and verified that the front desk staff (employee(s) responsible for collecting cash) is not the same person posting collection entries to the general ledger or subsidiary ledgers (who is the Accounts Receivable Staff).

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

We obtained and inspected the Center's written policies and procedures and verified that the front desk staff (employee(s) responsible for collecting cash) is not the same employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers (who is the Accounting Analyst I).

3. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

We reviewed the Fidelity Bond provided by the Organization and determined that all employees who have access to cash are covered under the bond for theft.

4. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Receipts were printed electronically from the billing system. We haphazardly selected two deposit dates for the four selected collection locations.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

We traced the selected receipts from the "Daily Deposit by Sites" report to the deposit slips.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

We traced the deposit slip to the actual deposit per the bank statement.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

We tested the date of receipt to the date of deposit and found that all deposits were made within one business day after the day of collection and within one week if the depository was more than 10 miles away and the deposit being more than \$100.

- e) Trace the actual deposit per the bank statement to the general ledger.

We traced the actual deposits per the bank statement to the general ledger.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Brown, Emily & CO

Ridgeland, Mississippi
September 29, 2020