

CARE SOUTH, INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2016

CARE SOUTH, INC.
DECEMBER 31, 2017
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BROWN, EWING & CO.
P. A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Care South, Inc.
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Care South, Inc., (a nonprofit organization) which comprise the statement of financial position as of December 31, 2017 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 Care South, Inc., as of December 31, 2017, 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 Care South, Inc.'s 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated July 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, 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 16 - 19 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, on our consideration of Care South, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Care South, Inc.'s internal control over financial reporting and compliance.

Brown, Emig & Co.

Ridgeland, Mississippi
June 29, 2018

CARE SOUTH, INC.
Statement of Financial Position
December 31, 2017 and 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash	\$ 205,028	\$ 190,571
Patient care receivables, less allowance of \$(704,008) for doubtful accounts	688,480	637,127
Grants and contracts receivable (Note 12)	195,675	689,767
Goodwill (Note 13)	210,000	-
Accounts receivable, other	4,000	-
Prepaid expenses	9,419	12,935
Total Current Assets	<u>1,312,602</u>	<u>1,530,400</u>
Fixed Assets:		
Land	458,692	458,692
Buildings and Improvements	8,664,023	7,784,987
Furniture and equipment	2,129,810	2,046,689
Less: Accumulated depreciation	<u>(3,333,228)</u>	<u>(3,056,833)</u>
Net Fixed Assets	<u>7,919,297</u>	<u>7,233,535</u>
OTHER ASSETS		
Deposits	<u>290</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 9,232,189</u>	<u>\$ 8,763,935</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 333,404	\$ 225,657
Salaries payable	116,301	103,763
Payroll taxes payable and accrued	8,891	-
Accrued annual leave	65,347	106,515
Line of credit payable	326,530	227,656
Notes payable (current portion) (Note 14)	<u>1,829,219</u>	<u>129,467</u>
Total Current Liabilities:	<u>2,679,692</u>	<u>793,058</u>
Long-Term Liabilities		
Notes payable (Note 14)	<u>1,020,133</u>	<u>1,958,336</u>
Total Long-Term Liabilities	<u>1,020,133</u>	<u>1,958,336</u>
Total Liabilities	<u>3,699,825</u>	<u>2,751,394</u>
Net Assets:		
Unrestricted		
Undesignated (operating)	<u>5,532,364</u>	<u>6,012,541</u>
Total Net Assets	<u>5,532,364</u>	<u>6,012,541</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,232,189</u>	<u>\$ 8,763,935</u>

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

EXHIBIT II

CARE SOUTH, INC.
Statement of Activities
For the Year Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
SUPPORT AND REVENUES		
Support:		
Grants and contracts	\$ 4,943,201	\$ 5,078,121
Total Support	<u>4,943,201</u>	<u>5,078,121</u>
Revenue:		
Health care services, net of charity, bad debts and contractual adjustments of \$4,273,490	4,552,765	3,148,852
340B Income (net of expenses of \$737,144)	434,886	617,909
Rental income	7,000	17,000
In-kind revenue	5,250	-
Other income	<u>187,874</u>	<u>506,983</u>
Total Revenue	<u>5,187,775</u>	<u>4,290,744</u>
TOTAL SUPPORT AND REVENUES	<u>10,130,976</u>	<u>9,368,865</u>
EXPENSES		
Program Services		
Health care services	4,999,669	4,410,290
Community services	<u>1,428,703</u>	<u>1,313,456</u>
Total Program Services	<u>6,428,372</u>	<u>5,723,746</u>
Supporting Services		
Management and general	<u>4,182,781</u>	<u>3,067,019</u>
Total Supporting Services	<u>4,182,781</u>	<u>3,067,019</u>
TOTAL EXPENSES	<u>10,611,153</u>	<u>8,790,765</u>
Change in Net Assets	(480,177)	578,100
Net Assets, Beginning of Year	<u>6,012,541</u>	<u>5,434,441</u>
NET ASSETS, END OF YEAR	<u>\$ 5,532,364</u>	<u>\$ 6,012,541</u>

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

CARE SOUTH, INC.
Statement of Cash Flows
For the Year Ended December 31, 2017 and 2016

CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:

	<u>2017</u>	<u>2016</u>
Changes in Net Assets	\$ (480,177)	\$ 578,100
Adjustments to reconcile changes in assets to net cash provided by (used in) operating activities:		
Depreciation expense	276,393	286,585
Goodwill	(210,000)	-
Decrease (increase) in:		
Patient care receivables	(51,354)	(366,859)
Grants and contracts receivable	494,091	(344,112)
Deposits	(290)	-
Accounts receivable, other	(4,000)	-
Prepaid expenses	3,516	(4,057)
Increase (decrease) in:		
Accounts payable	107,749	(75,032)
Accrued salaries payable	12,539	47,935
Payroll taxes payable	8,889	-
Other liabilities	4	(8,758)
Accrued annual leave	(41,169)	66,370
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>116,191</u>	<u>180,172</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	<u>(962,158)</u>	<u>(63,486)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(962,158)</u>	<u>(63,486)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal reduction in short and long-term notes payable	761,549	(122,098)
Principal payments on line of credit	<u>98,875</u>	<u>(45,057)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>860,424</u>	<u>(167,155)</u>
NET INCREASE (DECREASE) IN CASH	14,457	(50,469)
CASH, BEGINNING OF YEAR	<u>190,571</u>	<u>241,040</u>
CASH, END OF YEAR	<u>\$ 205,028</u>	<u>\$ 190,571</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for:		
Interest	<u>\$ 138,120</u>	<u>\$ 164,458</u>

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

EXHIBIT IV

CARE SOUTH, INC.
 Schedule of Functional Expenses
 For the Year Ended December 31, 2017 and 2016

	Health Care Services	Community Services	Total Program Services	Management and General	2017 Total Expenses	2016 Total Expenses
Personnel	\$ 2,977,048	892,456	3,869,504	2,092,899	\$ 5,962,403	\$ 4,839,973
Fringe benefits	702,126	242,065	944,191	539,172	1,483,363	1,176,961
Travel	26,227	6,233	32,460	49,190	81,650	67,144
Supplies	250,975	110,189	361,164	29,316	390,480	270,626
Equipment rental	31,429	1,740	33,169	23,652	56,821	80,041
Contractual	330,810	83,393	414,203	290,014	704,217	826,457
Equipment expense	17,742	-	17,742	21,831	39,573	13,110
Legal and accounting	-	-	-	107,750	107,750	105,596
Dues and subscriptions	11,432	361	11,793	39,763	51,556	31,736
Utilities	77,506	6,019	83,525	25,106	108,631	94,840
Printing	6,450	740	7,190	1,592	8,782	4,243
Repairs and maintenance	61,637	5,212	66,849	70,366	137,215	104,523
Property taxes	28,842	1,858	30,700	9,338	40,038	37,099
Insurance	35,560	6,513	42,073	26,299	68,372	55,101
Staff recruitment	2,070	346	2,416	48,785	51,201	6,536
Advertisement	4,847	488	5,335	161,688	167,023	153,720
Security	1,174	-	1,174	65,175	66,349	54,037
Continuing education	24,221	7,044	31,265	29,947	61,212	21,747
Communications	42,841	6,080	48,921	62,405	111,326	75,982
Licenses and fees	74,488	7,520	82,008	37,757	119,765	21,129
Janitorial	7,687	11	7,698	45,285	52,983	38,950
Space cost	124,545	12,000	136,545	35,471	172,016	132,277
Interest	69,295	14,606	83,901	54,219	138,120	164,458
Bank charges	20	-	20	8,462	8,482	14,185
Transportation expenses	77	19,979	20,056	-	20,056	13,286
Board expenses	-	-	-	12,542	12,542	5,345
Disposal services	50,145	-	50,145	3,838	53,983	50,055
Other	3,986	433	4,419	54,432	58,851	45,023
Total expenses before depreciation	4,963,180	1,425,286	6,388,466	3,946,294	10,334,760	8,504,180
Depreciation	36,489	3,417	39,906	236,487	276,393	286,585
Total Expenses	<u>\$ 4,999,669</u>	<u>1,428,703</u>	<u>6,428,372</u>	<u>4,182,781</u>	<u>\$10,611,153</u>	<u>\$ 8,790,765</u>

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

CARE SOUTH, INC.
Notes to the Financial Statements
December 31, 2017

NOTE 1 - ABOUT THE ORGANIZATION

Care South, Inc., 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 CCFHC is January 1 to December 31.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Accounting - The financial statements of Care South, Inc., 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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There are no temporarily restricted or permanently restricted net assets.
- 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 temporarily restricted net assets to unrestricted net assets 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. Expense Allocation - The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CARE SOUTH, INC.
Notes to the Financial Statements
December 31, 2017

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 \$5000 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 temporarily or permanently 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), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities 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. Patient Service Fees - Revenue for services rendered to patients are recorded at standard rates established by the Organization. The difference between standard rates and the amounts collected from third-party payors and patients qualifying as Poverty Patients is charged as an adjustment to gross revenues.

CARE SOUTH, INC.
Notes to the Financial Statements
December 31, 2017

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:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$ 205,028	\$ 205,028
	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial liabilities:		
Notes payable	\$2,849,352	\$2,849,352
Line of credit payable	326,530	326,530

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

The Organization maintains its cash balances in one (1) financial institution located in Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2017, the Organization did not have an uninsured cash balance.

NOTE 5 - PATIENT RECEIVABLES RECEIVABLE 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, 2017:

<u>Accounts receivable:</u>	<u>Amount</u>
Patients	\$ 478,703
Government	757,195
Other	156,590
	<u>\$ 1,392,488</u>

Allowance for doubtful accounts is summarized as follows at December 31, 2017

<u>Allowance :</u>	<u>Amount</u>
Patients	\$ 280,203
All Other	423,805
	<u>\$ 704,008</u>

CARE SOUTH, INC.
Notes to the Financial Statements
December 31, 2017

NOTE 6 - PATIENT SERVICE REVENUE

A summary of patient service revenue, net of contractual adjustments and discounts, is as follows at December 31, 2017:

<u>Patient Service Revenue</u>	<u>Amount</u>
Patient Service Revenue	\$ 8,826,255
Less: Contractual adjustment under third-party reimbursement program and discounts	(3,256,206)
Provision for bad debts	(1,017,284)
Net Patient Service Revenue	<u>\$ 4,552,765</u>

NOTE 7 - FIXED ASSETS

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

<u>Assets</u>	
Land	\$ 458,692
Building and Improvements	8,664,023
Furniture and Equipment	<u>2,129,810</u>
Total Property and Equipment	11,252,525
Less: Accumulated Depreciation	<u>(3,333,228)</u>
Net Property and Equipment	<u>\$ 7,919,297</u>

Depreciation expense was \$668,272 for the year ended December 31, 2017.

NOTE 8 - 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.

The Organization has analyzed its tax positions taken for filings with the Internal Revenue. 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 2014, 2015, and 2016 are subject to examination by the federal, state and local taxing authorities, generally for three years after they are filed.

CARE SOUTH, INC.
Notes to the Financial Statements
December 31, 2017

NOTE 9 - RETIREMENT PLAN

The Center has a Section 403(b) 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, 2017, the plan was properly funded. Retirement expense recognized was \$68,942 for the year ended December 31, 2017.

NOTE 10 - ANNUAL LEAVE

The cost of employee's unused annual leave at December 31, 2017 in the amount of \$65,347 is included in the financial statements. See Note 2.J. above.

NOTE 11 - SUMMARY OF FUNDING AND SUPPORT

Care South, Inc.'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 H80CS00504-13	1/1/2017-12/31/2017	\$ 3,096,872
U.S. Dept. of HHS (Ryan White Title III Early Intervention)	6 H76HA00817	1/1/2017-12/31/2017	373,050
Gilead Grant	N/A	1/1/2017-12/31/2017	43,095
Resilient Grant	N/A	1/1/2017-12/31/2017	32,400
American Cancer Society Grant	N/A	1/1/2017-12/31/2017	37,500
City of Baton Rouge (Minority Aids Initiative)	N/A	1/1/2017-12/31/2017	76,949
Ryan White Part A HIV Emergency Relief Grant	N/A	1/1/17 - 12/31/17	637,469
Louisiana State Department of Health (WIC Grant)	654775	1/1/2017-12/31/2017	645,866
TOTALS			<u>\$ 4,943,201</u>

NOTE 12 - GRANTS AND CONTRACTS RECEIVABLE,

Grants and contracts receivable at December 31, 2017 are due from the following:

State of Louisiana Department of Health (WIC Program)	\$ 107,610
City of Baton Rouge (Ryan White Part A)	78,033
City of Baton Rouge (Minority Aids Initiative)	<u>10,032</u>
Totals	<u>\$ 195,675</u>

NOTE 13 - GOODWILL

In March 2017, Care South, Inc. 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.

CARE SOUTH, INC.
Notes to the Financial Statements
December 31, 2017

NOTE 14 - NOTES PAYABLE

Notes payable consist of the following at December 31, 2017:

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.	\$ 971,065
Note payable to Whitney Bank; interest stated at 4.85%; due in monthly installments of \$6,836 which includes principal and interest; matures October 11, 2018; secured by real estate.	668,272
Note payable to Whitney Bank; interest stated at 4.25%; due in monthly installments of \$3,097 which includes principal and interest; matures August 31, 2018; secured by real estate.	321,933
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.	337,226
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.	430,856
Note payable to Brittany Smith; Principal payments only due in quarterly installments of \$10,000; matures March 2020	<u>120,000</u>
TOTALS	2,849,352
Less: current portion	<u>(1,829,219)</u>
Total Long-Term Debt	<u>\$ 1,020,133</u>

Maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>TOTAL</u>
2018	\$1,829,219	\$ 119,865	\$1,949,084
2019	135,703	51,125	186,828
2020	108,208	40,616	148,824
<u>2021</u>	<u>776,222</u>	<u>31,194</u>	<u>807,416</u>
Totals	<u>\$2,849,352</u>	<u>\$ 242,800</u>	<u>\$3,092,152</u>

Note: Care South, Inc. intends to refinance, for a longer term, the notes with Whitney Bank that are maturing in August and October 2018 respectively.

NOTE 15 - LINE OF CREDIT

Care South, Inc. has in place a line of credit agreement with Whitney Bank for \$500,000. The line of credit has a rate of 6.40%. As of December 31, 2017, the balance outstanding on the line of credit is \$326,530.

CARE SOUTH, INC.
Notes to the Financial Statements
December 31, 2017

NOTE 16 - LITIGATION

Care South, Inc. 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, Care South, Inc. 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 Care South, Inc.

NOTE 17 - ADVERTISING

Care South, Inc. 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, 2017, advertising cost totaled \$167,024.

NOTE 18 - CONCENTRATION OF CONTRIBUTIONS OR GRANTS

Approximately 46% of the Organization's funding is provided by direct grants from the U. S. Department of Health and Human Services.

NOTE 19 - 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 20 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 29, 2018, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTARY INFORMATION

SCHEDULE A

CARE SOUTH, INC.
 Schedule of Compensation, Benefits, Reimbursements, and Other Payments to Chief Executive Officer
 For the Year Ended December 31, 2017

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	\$ 136,110	
Incentive pay	<u>12,500</u>	
Total salary		\$ 148,610
Benefits:		
Health insurance	\$ 14,725	
Dental insurance	1,109	
FICA/Medicare	9,951	
Retirement	<u>2,077</u>	
Total benefits		27,862
Travel:		
Conference registration	3,670	
Airfare and lodging	4,220	
Per diem and incidentals	1,742	
Vehicle allowance	<u>6,000</u>	
Total travel		<u>15,632</u>
Total Compensation, Benefits, Travel, and Other Expenses		\$ <u>192,104</u>

CARE SOUTH, INC.
 Combining Schedule of Support and Revenues
 For the Year Ended December 31, 2017

	<u>Section 330(e)</u>	<u>Ryan White Title III Early Intervention</u>	<u>Ryan White Part A HIV Emergency Relief</u>	<u>WIC Program</u>	<u>Gilead Grant</u>	<u>Resilient Grant</u>	<u>American Cancer Society Grant</u>	<u>Minority Aids Initiative</u>	<u>TOTALS</u>
SUPPORT AND REVENUES									
Support:									
Grants and contracts	\$ 3,096,872	373,050	637,469	645,866	43,095	32,400	37,500	76,949	\$ 4,943,201
Total support	<u>3,096,872</u>	<u>373,050</u>	<u>637,469</u>	<u>671,346</u>	<u>43,095</u>	<u>32,400</u>	<u>37,500</u>	<u>76,949</u>	<u>4,943,201</u>
Revenue:									
Health care services, net of charity, bad debts and adjustments of \$4,273,490	4,552,765	-	-	-	-	-	-	-	4,552,765
340B Income (net of expenses of \$737,144)	434,886	-	-	-	-	-	-	-	434,886
Rental income	7,000	-	-	-	-	-	-	-	7,000
In-kind revenue	5,250	-	-	-	-	-	-	-	5,250
Other income	187,874	-	-	-	-	-	-	-	187,874
Total revenue	<u>5,187,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,187,775</u>
TOTAL SUPPORT AND REVENUES	\$ <u>8,284,647</u>	<u>373,050</u>	<u>637,469</u>	<u>671,346</u>	<u>43,095</u>	<u>32,400</u>	<u>37,500</u>	<u>76,949</u>	\$ <u>10,130,976</u>

SCHEDULE C

CARE SOUTH, INC.
 Schedule of Health Care Services Expenses
 For the Year Ended December 31, 2017

<u>EXPENSES</u>	<u>HHS Section 330</u>
Personnel	\$ 2,977,048
Fringe benefits	702,126
Travel	26,227
Supplies	250,975
Equipment rental	31,429
Contractual	330,810
Equipment expense	17,742
Dues and subscriptions	11,432
Utilities	77,506
Printing	6,450
Repairs and maintenance	61,637
Property taxes	28,842
Insurance	35,560
Staff recruitment	2,070
Advertisement	4,847
Security	1,174
Continuing education	24,221
Communications	42,841
License and fees	74,488
Janitorial	7,687
Space cost	124,545
Interest	69,295
Bank and finance charges	20
Transportation expenses	77
Disposal services	50,145
Other	<u>3,986</u>
Total	<u>4,963,180</u>
Total Expenses	<u>\$ 4,963,180</u>

SCHEDULE D

CARE SOUTH, INC.
 Schedule of Community Services Expenses
 For the Year Ended December 31, 2017

<u>EXPENSES</u>	<u>WIC</u>	<u>Ryan White Part A, HIV Emergency Relief</u>	<u>HHS- Title III Early Intervention</u>	<u>Minority Aids Initiative</u>	<u>Gilead Grant</u>	<u>American Cancer Society Grant</u>	<u>TOTALS</u>
Personnel	\$ 432,191	22,000	360,895	25,612	50,521	1,237	\$ 892,456
Fringe benefits	153,009	1,683	73,584	2,465	11,220	104	242,065
Travel	2,671	-	1,584	21	1,476	481	6,233
Supplies	8,824	78,038	20,415	2,864	-	48	110,189
Equipment rental	1,174	-	566	-	-	-	1,740
Contractual	2,249	35,050	46,094	-	-	-	83,393
Dues and subscriptions	115	-	246	-	-	-	361
Utilities	2,844	-	3,175	-	-	-	6,019
Printing	31	-	497	-	-	212	740
Repairs and maint.	1,727	-	3,485	-	-	-	5,212
Property taxes	-	-	1,858	-	-	-	1,858
Insurance	5,130	-	1,383	-	-	-	6,513
Staff recruitment	289	-	57	-	-	-	346
Advertisement	298	-	190	-	-	-	488
Continuing education	922	-	273	-	-	5,849	7,044
Communications	5,435	-	645	-	-	-	6,080
License and fees	806	-	6,714	-	-	-	7,520
Janitorial	7	-	4	-	-	-	11
Space cost	12,000	-	-	-	-	-	12,000
Interest	10,478	-	4,128	-	-	-	14,606
Transportation expenses	-	(18)	-	19,997	-	-	19,979
Other	359	-	74	-	-	-	433
Total	<u>640,559</u>	<u>136,753</u>	<u>525,867</u>	<u>50,959</u>	<u>63,217</u>	<u>7,931</u>	<u>1,425,286</u>
Total Expenses	<u>\$ 640,559</u>	<u>136,753</u>	<u>525,867</u>	<u>50,959</u>	<u>63,217</u>	<u>7,931</u>	<u>\$ 1,425,286</u>

SCHEDULE E

CARE SOUTH, INC.
 Schedule of Management and General Expenses
 For the Year Ended December 31, 2017

<u>EXPENSES</u>	<u>HHS Section 330</u>
Personnel	\$ 2,092,899
Fringe benefits	539,172
Travel	49,190
Supplies	29,316
Equipment rental	23,652
Contractual	290,014
Equipment expense	21,831
Legal and accounting	107,750
Dues and subscriptions	39,763
Utilities	25,106
Printing	1,592
Repairs and maintenance	70,366
Insurance	26,299
Staff recruitment	48,785
Advertisement	161,688
Security	65,175
Continuing education	29,947
Communications	62,405
License, taxes and fees	37,757
Janitorial	45,285
Space cost	35,471
Property taxes	9,338
Interest	54,219
Bank and finance charges	8,462
Board expenses	12,542
Disposal services	3,838
Other	<u>54,432</u>
Total	<u>3,946,294</u>
Total Expenses	<u>\$ 3,946,294</u>

CARE SOUTH, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

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	\$ 610,022
Affordable Care Act Grants for New and Expanded Services Under the Health Care Program	93.527	H80CS00504	<u>2,486,850</u>
Total Health Centers Cluster			<u>3,096,872</u>
Ryan White Part C Outpatient EIS Program	93.918	H76HA00817	<u>373,050</u> <u>373,050</u>
<u>Pass Through City of Baton Rouge, Louisiana</u>			
Ryan White Part A HIV Emergency Relief Grant	93.914	N/A	<u>637,469</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>4,107,391</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>645,866</u>
TOTAL FEDERAL AWARDS			<u>\$ 4,753,257</u>

CARE SOUTH, INC.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Care South, Inc. under programs of the federal government for the year ended December 31, 2017. 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 Care South, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Care South, Inc.

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

Care South, Inc. 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.



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

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
Care South, Inc.
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 Care South, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Care South, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Care South, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Care South, Inc.'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 Care South, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Brew, Emily & CO.

Ridgeland, Mississippi
June 29, 2018



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

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
Care South, Inc.
Baton Rouge, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Care South, Inc.'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 Care South, Inc.'s major federal programs for the year ended December 31, 2017. Care South, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 Care South, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Care South, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Care South, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of Care South, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Care South, Inc.'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 Care South, Inc.'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 & Co.

Ridgeland, Mississippi
June 29, 2018

CARE SOUTH, INC.
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2017

There were no findings for the year ending December 31, 2016.

CARE SOUTH, INC.
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2017

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 not 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

CARE SOUTH, INC.
AGREED UPON PROCEDURES REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017



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

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
Care South, Inc.
Baton Rouge, Louisiana
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Care South, Inc. 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, 2017 through December 31, 2017. 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 the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) Budgeting, including preparing, adopting, monitoring, and amending the budget
 - b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) Disbursements, including processing, reviewing, and approving
 - d) Receipts, including receiving, recording, and preparing deposits
 - e) Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
 - g) Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
 - h) Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

Care South, Inc. provided written policies and procedures addressing all of the above.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and;

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

The Board of Directors of Care South, Inc. met on a monthly basis in accordance with the agency's bylaws.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP basis).
- c) If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

The Board of Director's Minutes of Care South, Inc. did reference the presentation and approval of monthly financial reports and monthly budget to actual comparisons.

- d) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

The minutes of the Board of Directors of Care South, Inc. did reference non-budgetary financial information for at least one meeting during the fiscal period.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Management of Care South, Inc. provided the requested information, along with management's representation that the listing is complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Bank reconciliations were prepared for each month.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

The bank reconciliations contained evidence that a member of management reviewed and approved the bank reconciliations.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Management researched outstanding items that were more than 6 months old.

Collections

- 5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Management provided the requested information, along with management's representation that the listing is complete.

- 6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:
 - a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Each person responsible for collecting cash is bonded; not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account; and not required to share the same cash register or drawer with another employee.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Care South, Inc. has written procedures to reconcile cash collections to the general ledger by a person not responsible for collections.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Daily deposits were not made within one day of collections. Receipts that were reviewed during our testing noted deposit dates between 3 and 10 days after the day of collection.

Management's Response:

Capitol City Family Health Center, Incorporated (DBA Care South) current collection policy emphasizes daily deposit of cash for each clinic location. An action plan will be put in place to meet daily cash deposit requirement within one day for each clinic location and by an individual not responsible for collections.

Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

No exceptions noted

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Care South, Inc. has written procedures which define a process to determine completeness of collections, including electronic transfers, for each revenue source by a person not responsible for collections.

Disbursements - General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Management provided the requested information, along with management's representation that the listing is complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Purchase requisitions are required by the policy manual for all transactions unless the expense is deemed a non-routine transaction. For the transactions selected for testing, purchases were initiated using a requisition system that separates initiation from approval functions. Purchase requisitions were approved by a person who did not initiate the purchase. Payments for purchases were not processed without an approved purchase requisition, a receiving report (if applicable), and an approved invoice.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Care South, Inc.'s policy is that new vendors can only be added to the purchasing/disbursement system by the Accounts Payable Accountant.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for Initiating or recording purchases.

Persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

The supply of unused checks is maintained by the Chief Financial Officer in a locked location, with access restricted to those persons that do not have signatory authority.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Care South, Inc. does not use a signature stamp.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards). Including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Management provided the requested information, along with management's representation that the listing is complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

For each card selected for testing, we noted that the monthly statement or combined statement was reviewed and approved, in writing, by someone other than the authorized card holder.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

There were no finance charges or late fees assessed on the cards selected for testing.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the cards selected (i.e. each of the cards should have one month of transactions subject to testing).

a) For each transaction, report whether the transaction is supported by:

> An original Itemized receipt (i.e., identifies precisely what was purchased)

Each transaction tested was supported by an original itemized receipt that identified what was purchased.

> Documentation of the business/public purpose. For meal charges, there should also be documentation of the Individuals participating.

The business purpose was documented for purchases on the cards selected for testing. The charges for meals on the selected cards contained documentation of the business purpose and the individuals participating.

> Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

No other documentation is required by Care South, Inc.'s written credit card policy.

b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

We compared each transaction tested to the agency's written policies. There were no exceptions noted.

c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Care South, Inc.'s documentation met the requirements of Article 7, Section 14.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Management provided the requested information, along with management's representation that the listing is complete.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Amounts in Care South, Inc.'s policies for per diem and mileage did not exceed rates established by the GSA.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose, the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

The reimbursements selected were supported with documentation in accordance with Care South, Inc.'s written policies.

- b) Report whether each expense is supported by:

>An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

Each expense selected was supported by an itemized receipt.

- > Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

The business purpose was documented on each invoice selected for testing.

- > Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

No other documentation was required.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Care South, Inc.'s documentation met the requirements of Article 7, Section 14.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

For each expense selected for testing, the expense and related documentation was reviewed and approved in writing by someone other than the person receiving reimbursement.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Management provided the requested information, along with management's representation that the listing is complete.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Of all five of the contract vendors selected for testing, there were formal, written contracts supporting the services arrangement and the amounts paid.

b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
> If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
> If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

The contracts selected were not subject to the Louisiana Public Bid Law or Procurement Code.

c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

None of the contracts selected for testing were amended.

d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

The largest payment selected for testing from each of the five vendor contracts was supported by invoices that agreed with the terms of the contract.

e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Not applicable

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete.

Management provided the requested information, along with management's representation that the listing is complete.

Randomly select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Payment was made in accordance with the terms of the approved pay rates.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Changes to pay rates/ salaries were approved in writing in accordance with Care South, Inc.'s written policies.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

For the transactions selected for testing, the daily attendance and leave were documented.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Transactions selected for testing contained evidence that supervisors approved the attendance and leave of the selected employees.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

For the transactions selected for testing, Care South, Inc. maintained written leave records.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Management provided the requested information, along with management's representation that the listing is complete. For the two transactions selected for testing, the termination benefits were made in accordance with Care South, Inc.'s written policies.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Employee and employer portions of payroll taxes and retirement contributions, as well as required reporting forms, were submitted to the applicable agencies by the required deadlines.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Not applicable to nonprofit organizations.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethic violations, the corrective actions taken, and whether managements actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Not applicable to nonprofit organizations.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Not applicable to nonprofit organizations.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Not applicable to nonprofit organizations.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Not applicable to nonprofit organizations.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management is not aware of any misappropriation of public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Care South, Inc. has not posted the notice required by R.S. 24:523.1 on its premises or on its website

Management's Response:

Capitol City Family Health Center, Incorporated (DBA Care South) has posted required notice R.S. 24:523.1 at all our 4 locations and on our website, www.caresouth.org, under the home banner picture.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

We have not observed or identified any exceptions regarding management's representations in the above procedures.

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

Brow, Emig & Co.

Ridgeland, Mississippi
June 29, 2018