

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

AUDITED FINANCIAL STATEMENTS

**DECEMBER 31, 2018
(With Summarized Financial
Information for 2017)**

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
 DECEMBER 31, 2018
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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, 2018, and the related statements of operations and 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, 2018, 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 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated July 15, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, 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 17-21 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 June 25, 2019, 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 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, Emory & Co.

Ridgeland, Mississippi
June 25, 2019

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Statement of Financial Position
December 31, 2018
(With Summarized Financial Information for 2017)

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash	\$ 209,562	\$ 205,028
Patient care receivables, less allowance of \$(812,031) for doubtful accounts	913,141	688,480
Grants and contracts receivable (Note 14)	221,109	195,675
Goodwill (Note 15)	210,000	210,000
Accounts receivable, other	118,890	4,000
Prepaid expenses	-	9,419
Total Current Assets	<u>1,672,702</u>	<u>1,312,602</u>
Fixed Assets:		
Land	458,692	458,692
Buildings and Improvements	8,664,023	8,664,023
Construction In Progress	18,900	-
Furniture and equipment	2,129,810	2,129,810
Less: Accumulated depreciation	<u>(3,607,174)</u>	<u>(3,333,228)</u>
Net Fixed Assets	<u>7,664,251</u>	<u>7,919,297</u>
OTHER ASSETS		
Deposits	<u>440</u>	<u>290</u>
TOTAL ASSETS	<u>\$ 9,337,393</u>	<u>\$ 9,232,189</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 354,986	\$ 333,404
Salaries payable	163,435	116,301
Payroll taxes payable and accrued	12,114	8,891
Accrued annual leave	73,918	65,347
Line of credit payable	481,703	326,530
Notes payable (current portion) (Note 16)	<u>190,197</u>	<u>1,829,219</u>
Total Current Liabilities:	<u>1,276,353</u>	<u>2,679,692</u>
Long-Term Liabilities		
Notes payable (Note 16)	<u>2,506,764</u>	<u>1,020,133</u>
Total Long-Term Liabilities	<u>2,506,764</u>	<u>1,020,133</u>
Total Liabilities	<u>3,783,117</u>	<u>3,699,825</u>
Net Assets:		
Without donor restrictions:		
Undesignated (operating)	<u>5,554,276</u>	<u>5,532,364</u>
Total Net Assets	<u>5,554,276</u>	<u>5,532,364</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,337,393</u>	<u>\$ 9,232,189</u>

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

EXHIBIT II

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, 2018
(With Summarized Financial Information for 2017)

	<u>2018</u>	<u>2017</u>
SUPPORT AND REVENUES		
Support:		
Grants and contracts	\$ 5,322,486	\$ 4,943,201
Total Support	<u>5,322,486</u>	<u>4,943,201</u>
Revenue:		
Health care services, net of charity, bad debts and contractual adjustments of \$4,100,940	4,894,961	4,552,765
340B income (net of expenses of \$1,888,759)	1,122,101	434,886
Rental income	23,800	7,000
Interest income	453	-
In-kind revenue	5,494	5,250
Other income	<u>337,641</u>	<u>187,874</u>
Total Revenue	<u>6,384,450</u>	<u>5,187,775</u>
TOTAL SUPPORT AND REVENUES	<u>11,706,936</u>	<u>10,130,976</u>
EXPENSES		
Program Services		
Health care services	5,318,294	4,999,669
Community services	<u>1,682,858</u>	<u>1,428,703</u>
Total Program Services	<u>7,001,152</u>	<u>6,428,372</u>
Supporting Services		
Management and general	<u>4,629,382</u>	<u>4,182,781</u>
Total Supporting Services	<u>4,629,382</u>	<u>4,182,781</u>
TOTAL EXPENSES	<u>11,630,534</u>	<u>10,611,153</u>
Change in Net Assets	76,402	(480,177)
Net Assets, Beginning of Year	5,532,364	6,012,541
Prior period adjustment	<u>(54,490)</u>	<u>-</u>
Net Assets, as restated	<u>5,477,874</u>	<u>6,012,541</u>
NET ASSETS, END OF YEAR	<u>\$ 5,554,276</u>	<u>\$ 5,532,364</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, 2018
(With Summarized Financial Information for 2017)

	Health Care Services	Community Services	Total Program Services	Management and General	2018 Total Expenses	2017 Total Expenses
Personnel	\$ 3,087,441	1,200,899	4,288,340	2,172,741	\$ 6,461,081	\$ 5,962,403
Fringe benefits	660,139	241,861	902,000	495,683	1,397,683	1,483,157
Travel	22,288	12,907	35,195	33,933	69,128	97,321
Supplies	305,552	60,830	366,382	21,180	387,562	375,769
Equipment rental	21,837	168	22,005	14,285	36,290	56,821
Contractual	524,838	77,082	601,920	423,011	1,024,931	706,280
Equipment expense	9,938	-	9,938	5,921	15,859	51,724
Legal and accounting	-	-	-	113,981	113,981	107,750
Dues and subscriptions	8,125	-	8,125	42,267	50,392	51,556
Utilities	80,734	6,155	86,889	26,959	113,848	108,630
Printing	3,567	242	3,809	5,078	8,887	8,782
Repairs and maintenance	48,567	2,515	51,082	101,290	152,372	137,215
Property taxes	32,294	2,099	34,393	7,992	42,385	40,038
Insurance	45,032	1,125	46,157	35,902	82,059	68,432
Staff recruitment	6,661	733	7,394	20,684	28,078	51,201
Advertisement	7,112	1,483	8,595	118,456	127,051	167,024
Security	696	-	696	115,043	115,739	66,349
Continuing education	80,230	9,731	89,961	44,578	134,539	55,071
Communications	87,032	9,771	96,803	26,511	123,314	111,326
Licenses and fees	59,799	6,497	66,296	4,785	71,081	119,306
Janitorial	3,203	14	3,217	19,834	23,051	52,983
Space cost	77,950	12,000	89,950	25,198	115,148	172,016
Interest	75,825	9,833	85,658	78,521	164,179	138,120
Bank charges	1,229	-	1,229	248,750	249,979	8,482
Contributions	-	-	-	80,158	80,158	14,193
Moving expenses	-	-	-	-	-	349
Transportation expenses	-	20,791	20,791	-	20,791	59
Board expenses	-	-	-	18,677	18,677	12,542
Disposal services	32,501	-	32,501	3,670	36,171	54,435
Other	5,878	3,334	9,212	82,961	92,173	55,426
Total expenses before depreciation	5,288,468	1,680,070	6,968,538	4,388,049	11,356,587	10,334,760
Depreciation	29,826	2,788	32,614	241,333	273,947	276,393
Total Expenses	<u>\$ 5,318,294</u>	<u>1,682,858</u>	<u>7,001,152</u>	<u>4,629,382</u>	<u>\$ 11,630,534</u>	<u>\$ 10,611,153</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, 2018
(With Summarized Financial Information for 2017)

CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:

	<u>2018</u>	<u>2017</u>
Changes in Net Assets	\$ 76,402	\$ (480,177)
Adjustments to reconcile changes in assets to net cash provided by (used in) operating activities:		
Depreciation expense	273,947	276,393
Goodwill	-	(210,000)
Prior period adjustment	(54,490)	-
Decrease (increase) in:		
Patient care receivables	(224,661)	(51,354)
Grants and contracts receivable	(25,434)	494,091
Deposits	(150)	(290)
Accounts receivable, other	(114,890)	(4,000)
Prepaid expenses	9,419	3,516
Increase (decrease) in:		
Accounts payable	21,585	107,749
Accrued salaries payable	47,134	12,539
Payroll taxes payable	3,606	8,889
Other liabilities	(385)	4
Accrued annual leave	8,571	(41,169)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>20,654</u>	<u>116,191</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	<u>(18,900)</u>	<u>(962,158)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(18,900)</u>	<u>(962,158)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal reduction in short and long-term notes payable	(152,392)	761,549
Proceeds from line of credit	<u>155,172</u>	<u>98,875</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>2,780</u>	<u>860,424</u>
NET INCREASE (DECREASE) IN CASH	4,534	14,457
CASH, BEGINNING OF YEAR	<u>205,028</u>	<u>190,571</u>
CASH, END OF YEAR	<u>\$ 209,562</u>	<u>\$ 205,028</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for:		
Interest	<u>\$ 164,180</u>	<u>\$ 138,120</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, 2018

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, 2018

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, 2018

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:

	<u>Carrying</u>	
Financial assets:	<u>Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 209,562	\$ 209,562
Financial liabilities:	<u>Carrying</u>	<u>Fair Value</u>
Notes payable	\$ 2,696,960	\$ 2,696,960
Line of credit payable	481,703	481,703

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Financial Statements
December 31, 2018

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, 2018, 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, 2018, 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 include net assets with donor restrictions. There were no net assets with donor restrictions at December 31, 2018.

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:

	2018
Cash and cash equivalents	\$ 209,562
Grants Receivable	221,109
Other Receivable	118,890
Total financial assets	549,561
 Financial assets available to meet cash needs for general expenditures within one year	 \$ 549,561

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, 2018:

Accounts receivable:	Amount
Patients	\$ 403,936
Government	976,868
Other	344,368
	\$ 1,725,172

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Financial Statements
December 31, 2018

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

Allowance for doubtful accounts is summarized as follows at December 31, 2018

Allowance :	Amount
Patients	\$ 202,118
All Other	609,913
	\$ 812,031

NOTE 7 - PATIENT SERVICE REVENUE

A summary of patient service revenue, net of contractual adjustments and discounts, is as follows at December 31, 2018:

Patient Service Revenue	Amount
Patient Service Revenue	\$ 8,995,901
Less: Contractual adjustment under third-party reimbursement program and discounts	(2,829,113)
Provision for bad debts	(1,271,827)
Net Patient Service Revenue	\$ 4,894,961

NOTE 8 - 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
Construction In Progress	18,900
Furniture and Equipment	2,129,810
Total Property and Equipment	11,271,425
Less: Accumulated Depreciation	(3,607,174)
Net Property and Equipment	\$ 7,664,251

Depreciation expense was \$273,946 for the year ended December 31, 2018.

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, 2018

NOTE 10 - 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 2015, 2016, and 2017 are subject to examination by the federal, state and local taxing authorities, generally for three years after they are filed.

NOTE 11 - 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, 2018, the plan was properly funded. Retirement expense recognized was \$94,258 for the year ended December 31, 2018.

NOTE 12 - ANNUAL LEAVE

The cost of employee's unused annual leave at December 31, 2018 in the amount of \$73,918 is included in the financial statements. See Note 2.J. above.

NOTE 13 - 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 H80CS00504-13	1/1/2018-12/31/2018	\$ 3,419,848
U.S. Dept. of HHS (Ryan White Title III Early Intervention)	6 H76HA00817	1/1/2018-12/31/2018	411,470
Resilient Grant	N/A	1/1/2018-12/31/2018	48,600
American Cancer Society Grant	N/A	1/1/2018-12/31/2018	18,750
City of Baton Rouge (Minority Aids Initiative)	N/A	1/1/2018-12/31/2018	33,316
Ryan White Part A HIV Emergency Relief Grant	N/A	1/1/18 - 12/31/18	606,377
Louisiana State Department of Health (WIC Grant)	654775	1/1/2018-12/31/2018	784,125
TOTALS			<u>\$ 5,322,486</u>

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Financial Statements
December 31, 2018

NOTE 14 - GRANTS AND CONTRACTS RECEIVABLE,

Grants and contracts receivable at December 31, 2018 are due from the following:

State of Louisiana Department of Health (WIC Program)	\$ 153,050
City of Baton Rouge (Ryan White Part A)	58,949
City of Baton Rouge (Minority Aids Initiative)	9,110
Totals	<u>\$ 221,109</u>

NOTE 15 - 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 16 - NOTES PAYABLE

Notes payable consist of the following at December 31, 2018:

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.	\$ 909,964
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.	749,825
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.	204,422
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.	326,064
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.	416,686
Note payable to Brittany Smith; Principal payments only due in quarterly installments of \$10,000; matures March 2020	<u>90,000</u>
TOTALS	2,696,961
Less: current portion	(190,197)
Total Long-Term Debt	<u>\$ 2,506,764</u>

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Notes to the Financial Statements
December 31, 2018

NOTE 16 - NOTES PAYABLE (Continued)

Maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>TOTAL</u>
2019	\$ 190,197	\$ 126,204	\$ 316,401
2020	198,001	118,400	316,401
2021	881,384	104,249	985,633
2022	99,502	68,075	167,577
2023	100,264	62,831	163,095
Thereafter	<u>1,227,613</u>	<u>234,567</u>	<u>1,462,180</u>
Totals	<u>\$2,696,961</u>	<u>\$ 714,326</u>	<u>\$3,411,287</u>

NOTE 17 - 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 \$500,000. The line of credit has a rate of 7.15%. As of December 31, 2018, the balance outstanding on the line of credit is \$481,703.

NOTE 18 - 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 19 - 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, 2018, advertising cost totaled \$127,051.

NOTE 20 - CONCENTRATION OF CONTRIBUTIONS OR GRANTS

Approximately 33% 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, 2018

NOTE 21 - 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 22 - CHANGES IN ACCOUNTING PRINCIPLES

Adoption of FASB ASU No. 2016-14

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two-net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the organization, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for organization's year ending December 31, 2018 and thereafter and must be applied on a retrospective basis. Capitol City Family Health Center, Inc. D/B/A Care South adopted the ASU effective January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

NOTE 23 - PRIOR PERIOD ADJUSTMENT

Net assets at the beginning of 2018 have been adjusted for the write-off of prior year grants receivable. The reclassification has no effect on the results of the current year's activities; however, the cumulative effect decreases net assets by \$54,490.

NOTE 24 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 25, 2019, 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

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, 2018

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	\$ 154,531	
Incentive pay	<u>17,500</u>	
Total salary		\$ 172,031
Benefits:		
Health insurance	17,634	
FICA/Medicare	10,400	
Retirement	<u>5,250</u>	
Total benefits		33,284
Travel:		
Per diem and incidentals	1,406	
Vehicle allowance	<u>6,000</u>	
Total travel		<u>7,406</u>
Total Compensation, Benefits, Travel, and Other Expenses		\$ <u>212,721</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, 2018

	Section 330(e)	Ryan White Title III Early Intervention	Ryan White Part A HIV Emergency Relief	WIC Program	Resilient Grant	American Cancer Society Grant	Minority Aids Initiative	TOTALS
SUPPORT AND REVENUES								
Support:								
Grants and contracts	\$ 3,419,848	411,470	606,377	784,125	48,600	18,750	33,316	\$ 5,322,486
Total support	<u>3,419,848</u>	<u>411,470</u>	<u>606,377</u>	<u>820,545</u>	<u>48,600</u>	<u>18,750</u>	<u>33,316</u>	<u>5,322,486</u>
Revenue:								
Health care services, net of charity, bad debts and adjustments of \$4,100,940	4,894,961	-	-	-	-	-	-	4,894,961
340B Income (net of expenses of \$1,888,759)	1,122,101	-	-	-	-	-	-	1,122,101
Rental income	23,800	-	-	-	-	-	-	23,800
Interest income	453	-	-	-	-	-	-	453
In-kind revenue	5,494	-	-	-	-	-	-	5,494
Other income	337,641	-	-	-	-	-	-	337,641
Total revenue	<u>6,384,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,384,450</u>
TOTAL SUPPORT AND REVENUES	<u>\$ 9,804,298</u>	<u>411,470</u>	<u>606,377</u>	<u>820,545</u>	<u>48,600</u>	<u>18,750</u>	<u>33,316</u>	<u>\$ 11,706,936</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, 2018

<u>EXPENSES</u>	<u>HHS</u> <u>Section 330</u>
Personnel	\$ 3,087,441
Fringe benefits	660,139
Travel	22,288
Supplies	305,552
Equipment rental	21,837
Contractual	524,838
Equipment expense	9,938
Dues and subscriptions	8,125
Utilities	80,734
Printing	3,567
Repairs and maintenance	48,567
Property taxes	32,294
Insurance	45,032
Staff recruitment	6,661
Advertisement	7,112
Security	696
Continuing education	80,230
Communications	87,032
License and fees	59,799
Janitorial	3,203
Space cost	77,950
Interest	75,825
Bank and finance charges	1,229
Disposal services	32,501
Other	<u>5,878</u>
Total	<u>5,288,468</u>
Total Expenses	<u>\$ 5,288,468</u>

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
 Schedule of Community Services Expenses
 For the Year Ended December 31, 2018

EXPENSES	WIC	Ryan White Part A, HIV Emergency Relief	HHS- Title III Early Intervention	Minority Aids Initiative	Resilient Grant	American Cancer Society Grant	TOTALS
Personnel	\$ 455,649	24,636	553,228	2,066	165,320	-	\$ 1,200,899
Fringe benefits	139,829	1,298	87,826	204	12,704	-	241,861
Travel	2,991	-	9,827	-	-	89	12,907
Supplies	9,573	35,781	15,234	-	-	242	60,830
Equipment rental	92	-	76	-	-	-	168
Contractual	2,486	5,653	68,868	-	-	75	77,082
Utilities	3,004	-	3,151	-	-	-	6,155
Printing	-	-	17	-	-	225	242
Repairs and maint.	896	-	1,619	-	-	-	2,515
Property taxes	-	-	2,099	-	-	-	2,099
Insurance	(542)	-	1,667	-	-	-	1,125
Staff recruitment	332	-	401	-	-	-	733
Advertisement	1,412	-	71	-	-	-	1,483
Continuing education	300	-	4,244	-	-	5,187	9,731
Communications	7,730	-	2,041	-	-	-	9,771
License and fees	45	-	6,452	-	-	-	6,497
Janitorial	11	-	3	-	-	-	14
Space cost	12,000	-	-	-	-	-	12,000
Interest	5,810	-	4,023	-	-	-	9,833
Transportation expenses	-	-	867	19,924	-	-	20,791
Other	586	-	664	-	-	2,084	3,334
Total	<u>642,204</u>	<u>67,368</u>	<u>762,378</u>	<u>22,194</u>	<u>178,024</u>	<u>7,902</u>	<u>1,680,070</u>
Total Expenses	<u>\$ 642,204</u>	<u>67,368</u>	<u>762,378</u>	<u>22,194</u>	<u>178,024</u>	<u>7,902</u>	<u>\$ 1,680,070</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, 2018

<u>EXPENSES</u>	<u>HHS Section 330</u>
Personnel	\$ 2,172,741
Fringe benefits	495,683
Travel	33,933
Supplies	21,180
Equipment rental	14,285
Contractual	423,011
Equipment expense	5,921
Legal and accounting	113,981
Dues and subscriptions	42,267
Utilities	26,959
Printing	5,078
Repairs and maintenance	101,290
Insurance	35,902
Staff recruitment	20,684
Advertisement	118,456
Security	115,043
Continuing education	44,578
Communications	26,511
License, taxes and fees	4,785
Janitorial	19,834
Space cost	25,198
Property taxes	7,992
Interest	78,521
Bank and finance charges	248,750
Contributions	80,158
Board expenses	18,677
Disposal services	3,670
Other	<u>82,961</u>
Total	<u>4,388,049</u>
Total Expenses	<u>\$ 4,388,049</u>

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

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	\$ 724,068
Affordable Care Act Grants for New and Expanded Services Under the Health Care Program	93.527	H80CS00504	<u>2,695,780</u>
Total Health Centers Cluster			<u>3,419,848</u>
 Ryan White Part C Outpatient EIS Program	 93.918	 H76HA00817	 <u>411,470</u> <u>411,470</u>
 <u>Pass Through City of Baton Rouge, Louisiana</u>			
Ryan White Part A HIV Emergency Relief Grant	93.914	N/A	<u>606,145</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>4,437,463</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>784,125</u>
TOTAL FEDERAL AWARDS			<u>\$ 5,221,588</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, 2018

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, 2018. 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 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, 2018, 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 June 25, 2019.

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*.

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, Emig & Co.

Ridgeland, Mississippi
June 25, 2019



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, 2018. 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, 2018.

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, Emig & Co.

Ridgeland, Mississippi
June 25, 2019

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2018

There were no findings for the year ending December 31, 2017.

CAPITOL CITY FAMILY HEALTH CENTER, INC. D/B/A CARE SOUTH
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2018

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
Special Supplemental Food Program for Women, Infant & Children (WIC)	CFDA #10.557

- | | | |
|----|--|-----------|
| 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**

**AGREED UPON PROCEDURES REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018**



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, 2018 through December 31, 2018. 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:

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 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 deposits 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 deposits were made more than one business day after the day of collection, with having the depository less 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 deposit per the bank statement to the general ledger.

Management's Response:

Capitol City Family Health Center, Incorporated (DBA Care South) current collection policy emphasizes daily deposit of cash for each clinic location. We will strengthen internal administrative controls to ensure that we meet daily cash deposit requirements within one day for each clinic location and by an individual not responsible for collections.

Other

5. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

We observed that the entity had posted the notice on its premises and on their website.

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, Ellis & Co.

Ridgeland, Mississippi
June 25, 2019