

Bienvenidos Community Health Center

Financial Statements

June 30, 2015

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G Rowland CPA & Associates, AAC

2082 Business Center Dr, Ste 172, Irvine, CA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bienvenidos Community Health Center
Los Angeles, CA

Report on the Financial Statements

We have audited the accompanying financial statements of Bienvenidos Community Health Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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 Bienvenidos Community Health Center as of June 30, 2015, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 March 25, 2016, on our consideration of Bienvenidos Community Health Center'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 Bienvenidos Community Health Center's internal control over financial reporting and compliance.



March 25, 2016
Irvine, CA

Bienvenidos Community Health Center

Statement of Financial Position

As of June 30, 2015

	Note	
Assets		
Current Assets		
Cash		\$ 94,794
Accounts receivable		202,415
Inventory		42,532
Prepaid expenses & other current assets		43,513
Total Current Assets		383,254
Furniture and leaseholds, net of accumulated depreciation	3	36,372
Software, net of amortization	3	36,361
Total Assets		\$ 455,987
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities		\$ 68,891
Due to Bienvenidos Children's Center	4	572,000
Total Current Liabilities		640,891
Net Assets		
Unrestricted net assets		(234,904)
Temporarily restricted net assets		50,000
Total Net Assets		(184,904)
Total Liabilities and Net Assets		\$ 455,987

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

Bienvenidos Community Health Center

Statement of Activities

For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue & Support			
Medical services	\$ 2,161,781	\$ -	\$ 2,161,781
Contributions	117,145	50,000	167,145
Other income	869	-	869
Net assets released from restrictions	220,716	(220,716)	-
Total revenue and support	2,500,511	(170,716)	2,329,795
Expenses			
Program services	1,367,513	-	1,367,513
Management and general	644,520	-	644,520
Fundraising	133,854	-	133,854
Total expenses	2,145,887	-	2,145,887
Change in net assets before other changes	354,624	(170,716)	183,908
Other changes			
Negotiated settlement - due to BCC	(297,407)		(297,407)
Change in net assets	57,217	(170,716)	(113,499)
Net assets, beginning of the year	(292,121)	220,716	(71,405)
Net assets, end of the year	\$ (234,904)	\$ 50,000	\$ (184,904)

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

Bienvenidos Community Health Center

Statement of Cash Flows

For the Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (113,499)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization	6,907
Decrease in accounts receivable	330,436
Increase in inventories	(42,532)
Increase in prepaid expenses	(43,513)
Increase in accounts payable and accrued liabilities	22,950
Decrease in amount due to BCC	(203,210)
Net cash used by operating activities	(42,461)
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CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of furniture	(30,599)
Purchase of software	(39,668)
Net cash used by investing activities	(70,267)
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NET DECREASE IN CASH	(112,728)
CASH, BEGINNING OF THE YEAR	207,522
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CASH, END OF THE YEAR	\$ 94,794
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Cash paid for interest	\$ -
Cash paid for income taxes	\$ -
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The accompanying notes are an integral part of the financial statements.

Bienvenidos Community Health Center

Statement of Functional Expenses

For the Year Ended June 30, 2015

	Program Services	Support Services	Fundraising	Total Expenses
Salaries and wages	\$ 654,220	\$ 362,385	\$ 74,000	\$ 1,090,605
Payroll taxes and employee benefits	78,202	43,318	8,846	130,366
Total personnel costs	732,422	405,703	82,846	1,220,970
Contract services	205,119	124,126	27,450	356,695
Program supplies	238,288	2,191	3,674	244,153
Facility	68,522	36,800	8,089	113,412
Rent	33,719	18,109	3,981	55,809
Legal and accounting	19,553	10,501	2,308	32,362
Communications	14,654	7,870	1,730	24,254
Insurance	12,020	6,455	1,419	19,895
Depreciation and amortization	3,307	3,600	-	6,907
Office supplies	6,920	4,319	970	12,209
Utilities	6,188	3,323	731	10,242
Dues and subscriptions	4,543	5,196	-	9,739
Bank fees and licenses	6,536	2,883	-	9,419
Meetings and conferences	5,554	2,983	656	9,193
Staff related	5,905	1,798	-	7,703
Miscellaneous	-	5,872	-	5,872
Travel	4,263	-	-	4,263
Printing and postage	-	2,790	-	2,790
Total functional expenses	\$ 1,367,513	\$ 644,520	\$ 133,854	\$ 2,145,887

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

Bienvenidos Community Health Center

Notes to the Financial Statements

For the Year Ended June 30, 2015

1. Organization

Bienvenidos Community Health Center (“Bienvenidos”) is a non-profit Federally Qualified Health Center formed to provide exceptional health care to patients in our service and throughout their lives. As a community-based organization, Bienvenidos fulfills its mission by delivering quality health care services throughout the entire life cycle, in a manner that is respectful and conscious of the cultural and linguistic needs of our patients.

Bienvenidos builds on a foundation of empowering patients to take control of their health and lives, offering extensive family planning, health screening, and health education in addition to primary and acute care. Behavioral health services additionally provide confidential, accessible counseling and support that mitigates the stigma usually associated with seeking mental health treatment. Collaborative relationships with local hospitals ensure that patients will receive coherent care in all situations.

Headquartered in East Los Angeles, Bienvenidos operates two sites: a primary-care clinic and a school-based wellness center at Garfield High School that takes health to the community, breaking down barriers to effective care. Bienvenidos focuses on creating a patient-centered medical home, which eases families out of crisis mode and into the routine maintenance of good health throughout their lives.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of Bienvenidos are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted. These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Temporarily Restricted. Bienvenidos reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the 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 program or capital restrictions.

Bienvenidos Community Health Center

Notes to the Financial Statements (continued)

For the Year Ended June 30, 2015

2 Summary of Significant Accounting Policies, (continued)

Permanently Restricted

These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit Bienvenidos to expend all of the income (or other economic benefits) derived from the donated assets. Bienvenidos has no permanently restricted net assets at June 30, 2015.

Cash and Cash Equivalents

Bienvenidos has defined cash and cash equivalents as cash in banks and money market funds in a securities institution and certificates of deposits maturing in less than one year.

Accounts Receivable

Accounts receivable are primarily receivables from governmental agencies. Therefore, no allowance for doubtful accounts has been provided.

Concentration of Credit Risks

Bienvenidos places most of its temporary cash investments with a high-credit, quality financial institution. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. Bienvenidos has not incurred losses related to these investments. The primary receivable balance outstanding at June 30, 2015 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect trade to receivables are limited, as the majority of Bienvenidos' receivables consist of earned fees from contract programs granted by governmental agencies.

Inventories

Inventories consist primarily of medications for patients and are stated at the lower of cost or market. Medications are periodically reviewed for expiration dates and if the expiration date has passed they are disposed of.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than one year.

Bienvenidos Community Health Center

Notes to the Financial Statements (continued)

For the Year Ended June 30, 2015

2. Summary of Significant Accounting Policies, continued

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

Income Taxes

Bienvenidos is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Bienvenidos in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Bienvenidos' returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing Bienvenidos' programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Bienvenidos uses a square footage, time studies, number of patient visits, census records, number of full-time equivalent employees, or percentage of use estimate to allocate indirect costs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America required management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through March 25, 2016, the date the financial statements were available to be issued. (See Notes 4 & 7)

Bienvenidos Community Health Center

Notes to the Financial Statements (continued)

For the Year Ended June 30, 2015

3. Property and Equipment

Cost less accumulated depreciation and amortization

	Cost	Accumulated Depreciation & Amortization	Net Book Value
Furniture and fixtures	30,599	-	30,599
Leasehold improvements	20,856	(15,083)	5,773
Computer software	39,668	(3,307)	36,361
Total	\$ 91,123	\$ (18,390)	\$ 72,733

Depreciation and amortization expense for the year ended June 30, 2015 was \$6,907.

4. Transaction with Former Affiliate

On February 19, 2016, Bienvenidos reached a settlement with Bienvenidos Children's Center, whereby both parties agreed the amount Bienvenidos owed Bienvenidos Children's Center, was \$572,000, payable by April 15, 2016, subject to certain conditions.

5. Commitments and Contingencies

Obligations Under Operating Leases

Bienvenidos leases certain facilities and equipment under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	92,717
2017	46,358
	<u>\$ 139,075</u>

Rent expense under operating leases for the year ended June 30, 2015 was \$55,809.

Contracts and Grants

Bienvenidos' grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exist for disallowance of previously-funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated. Bienvenidos has no provisions for the possible disallowance of program costs on its financial statements.

Bienvenidos Community Health Center

Notes to the Financial Statements (continued)

For the Year Ended June 30, 2015

6. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 consist of the following:

Patient care services	\$50,000
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For the year ended June 30, 2015 net assets released from program restrictions were \$220,716.

7. Subsequent Events

On July 1, 2015, the Organization set-up a Defined Contribution 403(b) plan for its employees.

On August 24, 2015, Bienvenidos signed an operating lease for 1,240 square feet of space at 280 S. Atlantic Blvd., Los Angeles, CA. The term of the lease is three (3) years, commencing September 1, 2015. The base monthly rent is \$2,604.

On November 30, 2015, Bienvenidos guaranteed the lease payments of Dr. Enrique Gonzalez, at 4755 E. Cesar Chavez Boulevard, Suites A, B C, Los Angeles, CA. The lease expires in 2020; the base monthly rent is \$4,300.25.

On December 11, 2015, entered into a ten (10) year lease for 6,684 square feet at 607, 611 & 615 S. Atlantic Blvd, Los Angeles, CA at a base rate of \$13,368 per month. This lease replaces the existing lease on 507 S. Atlantic Blvd.

On February 19, 2016, Bienvenidos reached a settlement with Bienvenidos Children's Center, whereby both parties agreed the amount Bienvenidos owed Bienvenidos Children's Center, was \$572,000, payable by April 15, 2016, subject to certain conditions.

The organization has initiated actions to change its name to *Via Care* Community Health Center.

Supplemental Information

Bienvenidos Community Health Center

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Grantor and Number	Name of Grant - Grant ID No.	Federal Expenditures(\$)
Department of Health and Human Services				
Family Planning_Services				
Family Planning_Services	93.217	Direct	Title X--1	235,000
		California Family Health Council	Title X--2	<u>34,318</u>
Total Family Planning_Services				269,318
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)				
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224		Community Health Center--063015	377,600
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224		Community Health Center--123114	262,200
Total Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)				<u>639,800</u>
Total Expenditures of Federal Awards				<u><u>\$ 909,118</u></u>

Bienvenidos Community Health Center

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

1. Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Bienvenidos Community Health Center under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of Bienvenidos Community Health Center, the schedule is not intended to and does not present the financial position, changes in net assets or cash flows of Bienvenidos Community Health Center

2. Summary of significant accounting policies

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

Auditor's Other Reports Section

G Rowland CPA & Associates, AAC

2082 Business Center Dr, Ste 172, Irvine, CA

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
Bienvenidos Community Health Center

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 Bienvenidos Community Health Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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 March 25, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bienvenidos Community Health Center'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 Bienvenidos Community Health Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Bienvenidos Community Health Center's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. [2015-01, 2015-02, 2015-03, 2015-04]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bienvenidos Community Health Center'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*.

Bienvenidos Community Health Center's Response to Findings

Bienvenidos Community Health Center's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Bienvenidos Community Health Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

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.



March 25, 2016
Irvine, CA

G Rowland CPA & Associates, AAC

2082 Business Center Dr, Ste 172, Irvine, CA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Bienvenidos Community Health Center

Report on Compliance for Each Major Federal Program

We have audited Bienvenidos Community Health Center's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bienvenidos Community Health Center's major federal programs for the year ended June 30, 2015. Bienvenidos Community Health Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bienvenidos Community Health Center'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Bienvenidos Community Health Center'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 Bienvenidos Community Health Center's compliance.

Opinion on Each Major Federal Program

In our opinion, Bienvenidos Community Health Center 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 June 30, 2015.

Report on Internal Control Over Compliance

Management of Bienvenidos Community Health Center 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 Bienvenidos Community Health Center'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 program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Bienvenidos Community Health Center'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.

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.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies. [2015-01, 2015-02, 2015-03, 2015-04].

Bienvenidos Community Health Center's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Bienvenidos Community Health Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



March 25, 2016
Irvine, CA 92612

Findings and Questioned Costs Section

Bienvenidos Community Health Center

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting

- Material weaknesses identified? No
- Significant deficiencies identified? Yes
- Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major program:

- Material weakness identified? No
- Significant deficiencies identified? Yes

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Dollar threshold used to distinguish between Type A And Type B programs: \$300,000

Auditee qualified as a low-risk auditee? No

Major programs are identified as follows:

CFDA Number	Name of Program
93.224	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)

Section II—Financial Statements Findings

SIGNIFICANT DEFICIENCIES

2015-01 Accrued vacation and sick leave

Condition: Accrued vacation and sick leave were not calculated and recorded in the financial statements.

Criteria: Internal controls should be in place that provide reasonable assurance that accrued vacation and sick leave are calculated and recorded in the financial statements.

Cause: There are no procedures in place to require the accounting department to calculate and accrue vacation and sick leave

Bienvenidos Community Health Center

Schedule of Findings and Questioned Costs (continued)

For the Year Ended June 30, 2015

Effect: Because of the failure to accrue vacation and sick leave the financial statements may be incorrect and misleading.

Recommendation: Procedures should be implemented requiring the accounting department to accrue vacation and sick leave as part of the monthly closing process.

Views of Responsible Officials and Planned Corrective Actions: Available PTO is calculated each pay period and the total hours available are displayed on the respective pay stubs. Procedures have been implemented for recording the PTO liability on a quarterly basis.

2015-02

Payroll

Condition: Written authority signed by an authorized official are not required to add individuals to the payroll, only verbal.

Criteria: Internal controls should be in place that provide reasonable assurance that individuals are added to the payroll only after proper management approval.
Cause: There are no procedures in place to require management's written authorization to add individuals to the payroll.

Effect: Because of the failure to require approval from the proper level of management, employees may be added to the payroll without the approval of knowledge of management.

Recommendation: Procedures should be implemented requiring the written approval of the CEO prior to adding applicants to the payroll.

Views of Responsible Officials and Planned Corrective Actions: No employee may be hired without a duly executed Request for Approval Form to be completed. The form is to be signed by the requesting departmental manager and the Chief Executive Officer.

2015-03

Segregation of duties

Condition: The same person that opens the mail also prepares the deposit slip and makes the deposit at the bank.

Criteria: Internal controls should be in place that separate these duties among different employees, to remove the opportunity for misreporting or theft.

Cause: There are no procedures in place to require a separation of duties for the cash receipts process.

Effect: Because of the failure to segregate cash receipts duties, it would be possible for the employee to keep some checks and say they were deposited in the bank.

Bienvenidos Community Health Center

Schedule of Findings and Questioned Costs (continued)

For the Year Ended June 30, 2015

Recommendation: Procedures should be implemented requiring the separation of duties in the cash receipts function.

Views of Responsible Officials and Planned Corrective Actions: Additional staff have been hired since June 30 and duties more clearly defined. One person picks up the mail at each site and another prepares the checks for deposit and makes the deposit either at the bank or via remote deposit. Details of all checks received and deposited are provided to the CEO and CFO.

2015-04

Accounts payable

Condition: Vendor invoices are entered into accounts payable without checking them against purchase orders.

Criteria: Internal controls should be in place that provide reasonable assurance that vendor invoices are checked against purchase order to be sure purchases have been properly authorized and that amounts billed correspond with amounts ordered.

Cause: There are no procedures in place to require accounting personnel to match invoices against purchase orders to be sure purchases have been properly authorized and that amounts billed correspond with amounts ordered.

Effect: Because of the failure to match invoices against purchase orders, the clinic might be paying for items it did not order or receive.

Recommendation: Procedures should be implemented requiring accounting personnel to match invoices against purchase orders to be sure purchases have been properly authorized and that amounts billed correspond with amounts ordered.

Views of Responsible Officials and Planned Corrective Actions: Additional staff were employed subsequent to June 30th and procedures outlined in the Board approved Finance Procedures Manual conveyed to appropriate personnel and implemented.

Bienvenidos Community Health Center

Schedule of Findings and Questioned Costs (continued)

For the Year Ended June 30, 2015

OTHER FINDING

2015-05

Succession Plan

Condition: No written succession plan is in place to ensure a smooth transition should senior management unexpectedly leave.

Criteria: Internal controls should be in place that provide a written succession plan is in place to ensure a smooth transition should senior management unexpectedly leave.

Cause: There are no procedures in place to document who and what should be done should senior management unexpectedly leave.

Effect: Because of the failure to have a written succession plan is in place, any management changes may be difficult and slow to implement, leaving the clinic with gaps in senior management.

Recommendation: Procedures should be implemented requiring written succession plan is in place to ensure a smooth transition should senior management unexpectedly leave.

Views of Responsible Officials and Planned Corrective Actions:
Bienvenidos Community Health Center's Board of Directors is scheduled to convene their annual board retreat on Saturday, June 18th, 2016. We intend to agendize a succession plan that top management officials strategized and developed. The Plan will be present to the Board of Directors for their input, guidance and ultimately their approval. The Board of Director's has the responsibility for the direction of the health center. Succession planning is a board level function, in conjunction with the CEO and management.

The purpose of the Succession Plan is to address what Bienvenidos Community Health Center will do should one of our executives resign or an emergency transition under circumstances where the CEO and other Administrative Officials are not available due to an emergency, unexpected departure, or resignation. The proposed plan will also include an overall assessment of top management's succession plans.

The mission of our succession plan is to provide for a smooth transition from the departing/departure of any one of the key leadership members from the health center. The Board of Directors will play a key role in developing and approving the Succession Plan that includes updated activities and provides a high-level overview of management succession planning.

Bienvenidos Community Health Center

Schedule of Findings and Questioned Costs (concluded)

For the Year Ended June 30, 2015

Section III – Federal Award Findings and Questioned Costs

There are neither findings or questioned costs for Federal awards as defined in OMB Circular A-133.

Section IV – Summary Schedule of Prior Year Findings

2014-01 Lack of trial balance -- *corrected*