

Via Care Community Health Center, Inc.

Financial Statements

June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Via Care Community Health Center, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Via Care Community Health Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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 Via Care Community Health Center, Inc. as of June 30, 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.

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 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 January 4, 2019 on our consideration of Via Care Community Health Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Via Care Community Health Center, Inc.'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 Via Care Community Health Center, Inc.'s internal control over financial reporting and compliance.



Irvine, CA
January 4, 2019

Via Care Community Health Center, Inc.

Statement of Financial Position

As of June 30, 2018

	Note	
Assets		
Current Assets		
Cash	3	\$ 717,629
Accounts receivable, net of allowance for bad debts	4	614,708
Inventory		4,407
Prepaid expenses & other current assets		30,408
Total Current Assets		1,367,152
Noncurrent Assets		
Furniture, leaseholds and equipment, net of accumulated depreciation	5	397,923
Intangible assets, net of accumulated amortization	6	388,251
Goodwill	7	236,472
Other long term assets		34,757
Total Noncurrent Assets		1,057,403
Total Assets		\$ 2,424,555
Liabilities and Net Assets		
Current Liabilities		
Accounts payable & accrued expenses		\$ 228,417
Accrued payroll & incentives		196,605
Accrued paid time off		166,379
Current portion of long term liabilities	9	245,923
Total Current Liabilities		837,324
Noncurrent Liabilities		
Long term debt, net of current portion	9	384,015
Total Liabilities		1,221,339
Net Assets		
Unrestricted net assets		1,203,216
Total Liabilities and Net Assets		\$ 2,424,555

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

Via Care Community Health Center, Inc.

Statement of Activities

For the Year Ended June 30, 2018

	Note	Unrestricted
Revenue & Support		
Medical services		\$ 4,942,254
Grants		2,628,139
Capitations		1,484,523
Contributions		252,382
Other income		16,336
Total revenue and support		9,323,634
Expenses		
Program services		6,150,955
Management and general		2,482,926
Fundraising		122,260
Total expenses		8,756,141
Change in net assets		567,493
Net assets, beginning of the year		635,723
Net assets, end of the year		\$ 1,203,216

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

Via Care Community Health Center, Inc.

Statement of Cash Flows

For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 567,493
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization	240,559
Allowance for bad debts	200,000
(Increase) decrease in:	
Accounts receivable	247,304
Inventories	16,022
Prepaid expenses	81,905
Increase (decrease) in:	
Accounts payable	(108,167)
Bank overdraft	(23,342)
Accrued payroll	6,061
Accrued paid time off	35,683
Loans payable	(30,000)
Net cash provided by operating activities	1,233,518
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	(235,090)
Net cash used by investing activities	(235,090)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayments of debt borrowings	(346,937)
Net cash used by financing activities	(346,937)
NET INCREASE IN CASH	651,491
CASH, BEGINNING OF THE YEAR	66,138
CASH, END OF YEAR	\$ 717,629
<hr/>	
Cash paid for interest	\$ 30,725
Cash paid for income taxes	\$ -

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

Via Care Community Health Center, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2018

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 2,987,257	\$ 1,341,828	\$ 65,170	\$ 4,394,255
Payroll taxes and employee benefits	686,173	308,329	14,970	1,009,472
	-	-	-	-
Total personnel costs	3,673,430	1,650,157	80,140	4,394,255
Contract services	494,470	397,901	20,999	913,370
Program supplies	640,285	-	-	640,285
Rent	401,257	180,251	8,754	590,262
Bad debts	374,711	-	-	374,711
Depreciation and amortization	163,530	73,461	3,568	240,559
Communications	74,415	33,428	1,623	109,466
Insurance	70,608	31,718	1,539	103,865
Staff related	44,973	20,203	981	66,157
Facility	40,556	18,219	886	59,661
Utilities	36,588	16,436	798	53,822
Office supplies	26,509	11,908	579	38,996
Interest and penalties	23,556	10,582	514	34,652
Travel	19,694	8,847	430	28,971
Dues and subscriptions	17,118	7,690	373	25,181
Meetings and conferences	12,278	5,515	268	18,061
Board Related	8,979	4,033	196	13,208
Bank fees and licenses	8,599	3,863	188	12,650
Printing and postage	7,742	3,478	168	11,388
Legal and accounting	7,698	3,458	168	11,324
Miscellaneous	3,959	1,778	88	5,825
Total functional expenses	\$ 6,150,955	\$ 2,482,926	\$ 122,260	\$ 8,756,141

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

Via Care Community Health Center, Inc.

Notes to the Financial Statements

For the Year Ended June 30, 2018

1. Organization

Via Care Community Health Center, Inc. ("Via Care") is a non-profit Federally Qualified Health Center formed to provide exceptional health care to patients in its service and throughout their lives. As a community-based organization, Via Care 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 their patients.

Via Care 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 medical and dental 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, Via Care presently operates four primary-care clinics, a school-based wellness center at Garfield High School and a Behavioral Health office. Via Care is moving toward creating a patient-centered medical home model of care, which would ease families out of crisis mode and into the routine maintenance of good health throughout their lives.

The Organization's sources of revenues include payments from other service providers, government and foundation grants, patient donations and payments for services.

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 Via Care 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. Via Care 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

Via Care Community Health Center, Inc.

Notes to the Financial Statements (continued)

For the Year Ended June 30, 2018

2 Summary of Significant Accounting Policies, (continued)

Accounting (continued)

net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as “net assets released from program or capital restrictions”. Via Care has no temporarily restricted net assets at June 30, 2018.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently but permit Via Care to expend all of the income (or other economic benefits) derived from the donated assets. Via Care has no permanently restricted net assets at June 30, 2018.

Cash and Cash Equivalents

Via Care 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. Management evaluates accounts on a case by case basis and sets up an allowance as needed.

Concentration of Credit Risks

Via Care 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. Via Care has not incurred losses related to these investments. The primary receivable balance outstanding at June 30, 2018 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of Via Care’s 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, equipment and improvements 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.

Via Care Community Health Center, Inc.

Notes to the Financial Statements (continued)

For the Year Ended June 30, 2018

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

Via Care 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 Via Care in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Via Care's 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 Via Care 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. Via Care uses time studies, number of full-time equivalents or direct salaries to allocate indirect costs.

Allocation of Costs Between Program and Support Functions

Readily identifiable costs such as Salaries and Wages; Clinical and Dental Supplies; Medications; Laboratory Fees; Health Fair costs, etc. are charged to one of four cost centers (Medical, Dental, Behavioral Health or Outreach & Enrollment) and then allocated to a specific grant budget or to programs based on estimates of time spent. The estimates of time spent are corroborated by semi-annual time studies. Administrative and undesignated costs are first bundled under Administration and then allocated to the cost centers on the percentage relationship of salaries and wages.

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 January 4, 2019, the date the financial statements were available to be issued.

Via Care Community Health Center, Inc.

Notes to the Financial Statements (continued)

For the Year Ended June 30, 2018

3. Liquidity and Availability of Resources

Via Care's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash	\$ 717,629
Accounts receivable, net of allowance for bad debts	614,708
Inventory	4,407
Prepaid expenses & other current assets	<u>30,408</u>
	<u>\$ 1,367,152</u>

None of the financial assets are subject to donor, board or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position.

As part of Via Care's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Via Care has a policy of keeping 20 days cash on hand to meet normal operating expenses.

Via Care has capitation contracts in place for approximately 7,000 patient lives which generate between \$100,000 to \$150,000 cash, per month. Additionally, on December 12, 2018 the clinic received notice of the renewal of its Section 330 grant for three years, with no restrictions, in the amount of \$2,301,738 per year.

4. Accounts receivable

The components of accounts receivable are as follows:

Trade accounts receivable	\$ 589,485
Capitation receivable	66,500
Capitation - Annual reconciliation	119,675
Grants receivable	39,048
Allowance for doubtful accounts	<u>(200,000)</u>
Total	<u>\$ 614,708</u>

All grants are receivable in less than one year.

Bad debt expense for the period was \$374,711.

Via Care Community Health Center, Inc.

Notes to the Financial Statements (continued)

For the Year Ended June 30, 2018

5. Property and Equipment

Property and equipment are depreciated over its estimated useful lives, ranging from 4 to 10 years. The basis for depreciation is cost if purchased and fair-value if contributed.

Cost less accumulated depreciation			
	Cost	Accumulated Depreciation	Net Book Value
Furniture and fixtures	\$ 76,131	\$ (41,661)	\$ 34,470
Leasehold improvements	264,235	(88,354)	175,881
Dental, medical & communications equipment	421,226	(233,654)	187,572
Total	\$ 761,592	\$ (363,669)	\$ 397,923

Depreciation expense for the year ended June 30, 2018 was \$142,933.

6. Intangible Assets

Intangible assets are amortized over their estimated useful lives. Software is amortized over 3 years and Contracts & patient files over 7 years.

Cost less accumulated amortization			
	Cost	Accumulated Amortization	Net Book Value
Contracts & patient files - Eastside	\$ 309,528	\$ (115,167)	\$ 194,361
Contracts & patient files - Santa Rosa	184,000	(68,462)	115,538
Electronic Health Records Software	85,475	(7,123)	78,352
Total	\$ 579,003	\$ (190,752)	\$ 388,251

Amortization expense for the year ended June 30, 2018 was \$97,626.

7. Goodwill

The Organization is carrying goodwill on its Statement of Financial Position as a result of two practice acquisitions. The amounts are as follows:

	Eastside Practice	Santa Rosa Practice	Total
Goodwill	\$ 141,774	\$ 94,698	\$ 236,472

Via Care Community Health Center, Inc.

Notes to the Financial Statements (continued)

For the Year Ended June 30, 2018

8. Commitments and Contingencies

Obligations Under Operating Leases

On July 6, 2018, the clinic entered into a sub-lease agreement with Hillside for property located at 501 S. Atlantic Blvd., Los Angeles, CA. The lease is for a period of twenty-three (23) months expiring on May 31, 2020. The current monthly lease is \$10,551 and will increase to \$11,014 on June 1, 2020.

On August 1, 2018, the clinic entered into an operating lease for 3,200 square feet of space at 507 S. Atlantic Blvd, Los Angeles, CA. The lease is for a period of five (5) years expiring on July 31, 2021. The current base monthly cost is \$8,425 and is subject to an annual increase of 4%.

On July 1, 2018, Via Care 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 for one (1) year, commencing September 1, 2018. The base monthly rent is \$3,268.

On November 30, 2015, Via Care 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 current base monthly rent is \$5,210 which is subject to an annual increase of 3%.

On December 11, 2015, Via Care entered a ten (10) year lease for 6,684 square feet at 607, 611 & 615 S. Atlantic Blvd, Los Angeles, CA. The current base rate is \$17,779 per month and is subject to an annual increase of 3%

As part of its obligations under the terms of an Asset Purchase Agreement dated January 12, 2017 between the clinic and Santa Rosa Family Care Center, Via Care agreed to sub-let the premises at 5015 E. Whittier Blvd, Los Angeles, CA. The lease expires on December 31, 2018. The current monthly rent is \$4,200. On December 26th, 2018 a new five (5) year lease was signed in the name of Via Care. The first-year monthly cost will be \$4,200 and it will increase by \$50 per month in each succeeding year.

Space is leased at Garfield High School on a month-to-month basis at a rate of \$1,115 per month currently.

Copiers are being leased at a rate of \$3,917 per month, water dispensing units at a rate of \$470 per month, and a van at a rate of \$747 per month terminating on May 31, 2019.

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 651,871
2020	607,193
2021	434,399
2022	316,545
2023	300,987
Thereafter	515,615
<u>Total</u>	<u>\$ 2,826,610</u>

Via Care Community Health Center, Inc.

Notes to the Financial Statements (continued)

For the Year Ended June 30, 2018

8. Commitments and Contingencies (continued)

Contracts and Grants

Via Care's 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 exists for disallowance of previously-funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated. Via Care has no provisions for the possible disallowance of program costs on its financial statement.

Uncertain Tax Positions

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 Via Care in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Via Care's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

9. Long-term debt

Long-term debt consists of the following:

	<u>June 30, 2018</u>
Secured, with a UCC-1 filing, obligation under loan agreement with CPCA Ventures, 3.75% stated interest rate. Via Care made interest only payments through December, 2017 and, restarted making interest and principal payments as of January 1, 2018.	629,938
	<u>\$629,938</u>

This is the only long term debt Via Care has. Monthly payments are \$22,883. The loan terminates on January 1, 2021. CPCA has a UCC-1 filing on record. Loan maturities for each of the next three years following June 30, 2018 are as follows:

2019	\$ 245,923
2020	253,938
2021	130,077
	<u>\$ 629,938</u>

Via Care Community Health Center, Inc.

Notes to the Financial Statements (continued)

For the Year Ended June 30, 2018

10. Pension Plan

The Organization maintains a defined contribution pension plan under IRS Code Section 403(b). The organization contributes on a discretionary basis. No contributions were made by the Organization for the year ended June 30, 2018.

11. Concentration of Revenue Sources

Approximately 28% of the Organization's revenue is derived from grants from the Federal government which are renewed annually. The current level of the Organization's operations and program services may be impacted, or segments discontinued if the funding is not renewed.

12. Subsequent Events

Subsequent events were evaluated through January 4, 2019, the date the financial statements were available to be issued. On October 11, 2018, an offer was made, and accepted, to purchase a dental practice for \$93,000 located in Los Angeles. On November 29, 2018 the buildout of the pharmacy was completed at a cost of \$112,000. On December 12, 2018 the clinic received notice of the renewal of its Section 330 grant for three years, with no restrictions, in the amount of \$2,301,738 per year. On December 17, 2018 the new electronic health records system, called eClinicalWorks, went live.

Supplemental Information

Via Care Community Health Center, Inc.

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Via Care Community Health Center Schedule of Expenditures of Federal Awards By Grant For the Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Name of Grant - Grant ID No.	Federal Expenditures (\$)
Department of Health and Human Services			
Essential Access			
Family Planning Services	93.217	115000-5320-71209	\$ 157,900
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	H80CS26617	2,105,329
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	15T126277A	365,000
Total Department of Health and Human Services			2,628,229
Total Expenditures of Federal Awards			\$ 2,628,229

Via Care Community Health Center, Inc.

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

1. Basis of presentation

The schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Via Care Community Health Center, Inc. under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR), *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 Via Care Community Health Center, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Via Care Community Health Center, Inc.

2. 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.

3. Indirect Cost Rate

Via Care Community Health Center, Inc. has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Auditor's Other Reports Section

G Rowland CPA & Associates, An Accountancy Corporation

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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

The Board of Directors
Via Care Community Health Center, Inc.

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 Via Care Community Health Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, 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 January 4, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Via Care Community Health Center, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Via Care Community Health Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Via Care Community Health Center, Inc.'s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Via Care Community Health Center, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Irvine, CA

January 4, 2019

G Rowland CPA & Associates, An Accountancy Corporation

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

The Board of Directors
Via Care Community Health Center, Inc.

Report on Compliance for Each Major Federal Program

We have audited Via Care Community Health Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Via Care Community Health Center, Inc.'s major federal programs for the year ended June 30, 2018. Via Care Community Health Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Via Care Community Health Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of Via Care Community Health Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Via Care Community Health Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Via Care Community Health Center, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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.



Irvine, CA

January 4, 2019

Findings and Questioned Costs Section

Via Care Community Health Center, Inc.

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2018

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting

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

Federal Awards

Internal control over major program:

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

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

Any audit findings disclosed that are required to be reported under 2 CFR section 200.516(a). No

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee? Yes

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)

Via Care Community Health Center, Inc.

Schedule of Findings and Questioned Costs (continued)

For the Year Ended June 30, 2018

Section II—Financial Statements Findings

None

Section III – Federal Award Findings and Questioned Costs

There are neither findings nor questioned costs for Federal awards as defined in the Uniform Guidance.

Section IV – Summary Schedule of Prior Year Findings

SIGNIFICANT DEFICIENCIES

2017-01	Prepaid insurance expenses <i>Condition:</i> The organization did not allocate approximately \$80,000 of succeeding year insurance costs to prepaid expenses. <u><i>Corrective action was taken</i></u>
2017-02	Depreciation and amortization expenses <i>Condition:</i> Approximately \$100,000 of depreciation and amortization expenses were not recorded in the general ledger. <u><i>Corrective action was taken</i></u>
2017-03	Managed Care Reconciliation <i>Condition:</i> The Managed Care Reconciliation receivable and income accounts were misstated by approximately \$73,000. <u><i>Corrective action was taken</i></u>
2017-04	Substantiation for amounts charged to American Express Credit Cards <i>Condition:</i> When requested, the organization could not locate the original backup documentation supporting the AMEX charges on the Organization's credit cards. While a review of the statements did not reveal any questionable charges, the documentation could not be located. <u><i>Corrective action was taken</i></u>